

EVANS  
DIXON



# ANNUAL REPORT

30 JUNE 2018



Evans Dixon Limited  
(ACN 609 913 457)

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# Chairman & CEO's Letter

27 August 2018

Dear Shareholder,

On behalf of the Board of Directors and Management team, it is our pleasure to present the Evans Dixon Limited annual report for the financial year ended 30 June 2018.

FY18 has been a landmark year for Evans Dixon with the successful listing of the business on the Australian Securities Exchange on 14 May 2018.

During the year, Evans Dixon has continued to deliver on its strategy of providing high-quality, market-leading financial services through an integrated structuring, investment, execution and advice solution for private clients, institutional clients and corporates. This translated into a record financial and operational result which included the following highlights:

## FINANCIAL

- ♦ Record underlying EBITDA of \$50.1 million, which exceeded Prospectus forecast of \$42.6 million by 18%.
- ♦ Realised underlying EBITDA margin of 22% compared to 20% Prospectus forecast.
- ♦ Realised statutory NPAT of \$19.3 million, which exceeded Prospectus forecast of \$15.2 million by 27%.
- ♦ Underlying EPS of 14.5 cents compared to Prospectus forecast of 12.7 cents.
- ♦ A strong balance sheet with \$89.1 million in cash, which provides flexibility to pursue strategic opportunities.
- ♦ Declared a further fully franked dividend of \$0.06 per share, payable on 10 October 2018.

## OPERATIONAL

- ♦ All business segments performed strongly.
- ♦ Funds under advice increased 3% in 2H18 to \$18.3 billion.
- ♦ Pro forma Capital Markets revenue was up 46% on FY17, supported by strength in our institutional business and strong capital markets activity.
- ♦ Funds under management increased \$820 million (17%) to \$5.6 billion.
- ♦ Ranked No. 1 in Australia's Top Graduate Employers ranking for 2018.
- ♦ Successful integration of Evans Dixon IT platform during the year, following the merger of Evans & Partners and Dixon Advisory on 1 February 2017.
- ♦ Significant client engagement, hosting more than 113 client events with more than 12,600 registered attendees.

We would like to acknowledge the valuable contribution of the Board, Management team and all staff across the organisation. Their continued efforts since the merger and in our inaugural year as a listed company have been instrumental in achieving this result and establishing a platform for the future success of the business.

At Evans Dixon, we believe that the strength of the business is in our clients and our people, which is why we pride ourselves on our long history of placing every individual, corporate and institutional client at the heart of what we do. We believe Evans Dixon is well placed to continue to deliver on its business model and key growth objectives.

We are cognisant of the market perceptions regarding the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry. The Board and Management team are monitoring the developments of the Royal Commission and believes that Evans Dixon is well placed to adhere to and sees potential upside from any recommended changes that the government may legislate.

The diversity of our earnings across our operating segments provides resilience in volatile market conditions and the ability to act on short and long-term opportunities. Our strong balance sheet cash position provides an opportunity to consider strategic investments that will allow us to better service our clients and deliver increased returns to our shareholders.

The Evans Dixon Board of Directors and other staff own over 60% of the equity in Evans Dixon, and approximately 48% of the equity in the company is subject to voluntary escrow restrictions. We believe this provides a significant incentive for executives and staff to focus on achieving positive long-term outcomes for the business.

The Board is pleased to deliver this record result and has declared a further fully franked dividend of 6.0 cents per share, which is in addition to the fully franked interim dividend of 5.0 cents per share that was declared in May 2018.

We look forward to the year ahead and thank you for supporting Evans Dixon through this transformational period.

Yours sincerely,



**David Evans**  
Executive Chairman  
Evans Dixon Limited



**Alan Dixon**  
Managing Director &  
Chief Executive Officer  
Evans Dixon Limited

# About Evans Dixon

Evans Dixon is a financial services business with a history spanning over 30 years. The business operates through three brands in Australia, being Evans & Partners, Dixon Advisory and Walsh & Company, a specialist global asset manager. Evans Dixon's operations can be grouped into three segments:

- ♦ Wealth Advice;
- ♦ Capital Markets; and
- ♦ Funds Management.

Evans Dixon's focus is to provide high quality market leading financial services through an integrated structuring, investment, execution and advice solution for private clients, institutional clients and corporates.

As at 30 June 2018, Evans Dixon Wealth Advice services over 9,000 clients with over \$18.3 billion in funds under advice.

Capital Markets advised over 180 institutional clients throughout FY18 and provides equity and debt capital markets services to corporate clients and to the Evans Dixon Wealth Advice network.

The Funds Management segment manages over \$5.6 billion of assets across its different strategies.

Evans Dixon has offices across Sydney, Melbourne, Canberra, Brisbane, and New York City.

# Year in review

## OPERATING AND FINANCIAL REVIEW

FY18 was a landmark year for Evans Dixon. The Group embarked on its first full year as a merged entity following the merger of Evans & Partners and Dixon Advisory in February 2017. The success of the merger and subsequent integration of the two businesses culminated in the Group successfully listing on the ASX on 14 May 2018 (IPO). We went on to produce a record underlying financial result that materially exceeded the forecasts contained in the Prospectus.

### Evans Dixon financial performance by operating segment

<b>AS\$M</b>	Wealth Advice	Capital Markets	Funds Management	Unallocated Corporate	Total
Net revenue <sup>1</sup>	96.9	47.8	78.6	-	223.2
Direct expenses	(57.5)	(20.3)	(38.6)	-	(116.4)
Allocated expenses	(17.9)	(7.8)	(12.6)	-	(38.3)
Unallocated staff expenses	-	-	-	(18.5)	(18.5)
Underlying EBITDA <sup>2</sup>	21.5	19.8	27.4	(18.5)	50.1
Underlying NPATA <sup>3</sup>					31.1

Notes:

1. Net revenue is defined as gross revenue less of 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 project management, design and architectural services and recharge expenses for which recharge revenues are booked.

2. Underlying EBITDA adjusts for one off costs associated with the IPO, other non recurring payments and additional public company costs as forecast in the Prospectus. See reconciliation in Non-IFRS information section for further information.

3. Underlying NPATA is defined as underlying net profit after tax excluding interest expenses and other costs relating to the corporate debt facility extinguished with proceeds from the IPO (\$4.1m) and amortisation of acquired intangible assets, being amortisation of Evans & Partners client relationships acquired through the merger with Dixon Advisory on 1 February 2017 (\$0.9m), amortisation relating to software revalued upon acquisition (\$0.2m) and amortisation of executive restraint covenants (\$0.7m).

## GROUP PERFORMANCE

The Group recorded gross revenues of \$305.8 million with net revenues of \$223.2 million after deducting cost of sales. Net revenues exceeded the Prospectus forecast of \$218.6 million by 2%.

The Group recorded underlying EBITDA of \$50.1 million which exceeded the Prospectus forecast of \$42.6 million by 18%. The Group's pro forma EBITDA margin was 22%, compared to the Prospectus forecast of 20%, which reflected the higher margins achieved during the second half of the year from capital markets linked revenue.

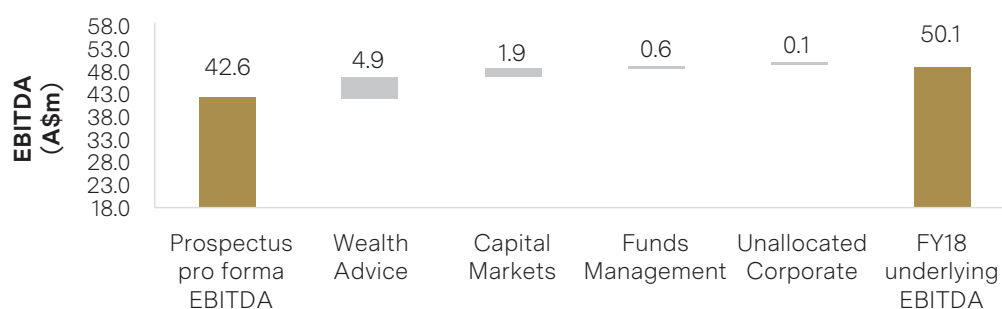
A reconciliation of the actual FY18 underlying EBITDA to the forecast FY18 pro forma EBITDA shows a positive contribution to this outperformance from all segments of the business led principally by the Wealth Advice and Capital Markets segments which performed strongly during 2H18.

Note: summarised figures in the Year in review section may not sum due to rounding.



## Year in review (cont.)

### Segment contribution to underlying EBITDA outperformance versus Prospectus forecast



Underlying net profit after tax before amortisation of acquired intangibles was \$31.1 million, 14% higher than the Prospectus forecast of \$27.2 million. This resulted in underlying earnings per share of 14.5 cents (calculated using 214.1 million shares as at 30 June 2018).

## NON-IFRS INFORMATION

We disclose certain financial measures such as net revenue and underlying EBITDA that 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 one-off or non-recurring in nature. The table below sets out the adjustments to EBITDA that were made for FY18 and as forecast in the Prospectus.

These adjustments include \$0.5 million in additional costs expected to have been incurred as a public company including ASX listing fees and additional Directors' fees had the Company been listed from 1 July 2017; \$10.3 million one-off integration bonus payments made to the Executive Chairman and CEO prior to the IPO whilst a private company and \$0.2m associated payroll tax costs; \$1.3 million of costs incurred in the IPO including legal and Investigating Accountant fees, prospectus costs and ASX listing costs; and \$0.1 million in additional acquisition-related expenses that are not expected to recur.

### Reconciliation of EBITDA to underlying EBITDA

A\$m	FY18
EBITDA per financial statements	38.7
Public company costs	(0.5)
One off payments prior to listing	10.5
Listing costs	1.3
Other non-recurring costs	0.1
<b>Underlying EBITDA</b>	<b>50.1</b>



## Year in review (cont.)

### DIVIDENDS

The Board has declared a fully franked dividend of 6.0 cents per share, which is in addition to the fully franked interim dividend of 5.0 cents per share that was declared in May 2018, this brings the total fully franked dividend since the IPO to 11.0 cents per share and 13.0 cents for financial year 2018.

### BALANCE SHEET MANAGEMENT

As at 30 June 2018, Evans Dixon had net assets of \$201.7 million and a strong cash position of \$89.1 million. The ongoing management of the balance sheet will be critical to the long-term growth and success of the business. Our strategy of maintaining a strong balance sheet allows us the flexibility to have capital available for investing in strategic opportunities or directly in the company. We are taking a disciplined approach to this task and will invest only where we see outstanding opportunities that fit the culture and ethos of our firm.

#### Summarised consolidated financial position as at 30 June

A\$m	2017	2018
Cash and cash equivalents	33.5	89.1
Intangibles	108.9	117.9
Trade and other receivables	20.0	30.2
Other assets	29.6	34.5
<b>Total assets</b>	<b>192.0</b>	<b>271.7</b>
Borrowings	(66.6)	-
Trade and other payables	(13.2)	(17.4)
Other liabilities	(53.1)	(52.6)
<b>Total liabilities</b>	<b>(132.9)</b>	<b>(70.0)</b>
<b>Net assets</b>	<b>59.1</b>	<b>201.7</b>

### BUSINESS SEGMENT OVERVIEW

#### WEALTH ADVICE OVERVIEW AND PERFORMANCE

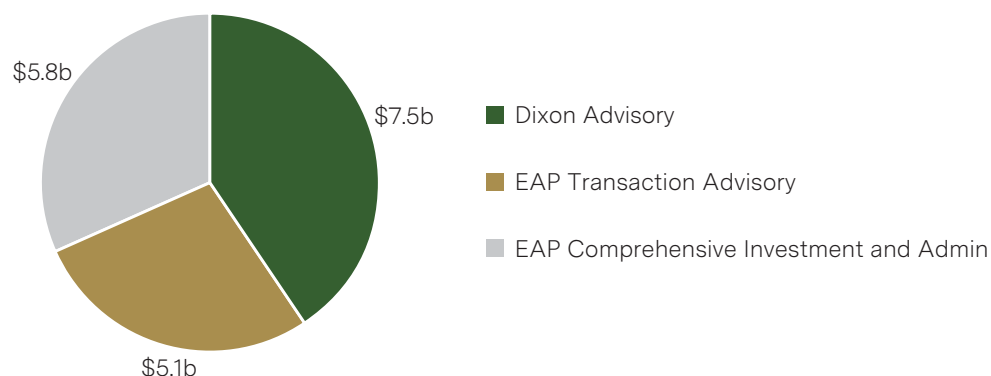
Wealth Advice provides a full-service solution for clients through a complementary suite of services including financial advice, investment advice, stock broking, private wealth management, private client portfolio administration and reporting, self-managed superannuation administration, estate planning, property advisory and insurance advice. Wealth Advice operates principally through two separate service offerings being Evans & Partners and Dixon Advisory.

The segment benefits from a high-quality revenue profile that includes advisory and administration revenues, asset-based advice revenues, brokerage and fee for service financial advice. It also receives fees for participation in equity and debt capital raisings.

During FY18 Wealth Advice realised continued growth in new client and fund flows. As at 30 June 2018 total funds under advice was A\$18.3 billion which was up 3% on 2H18.

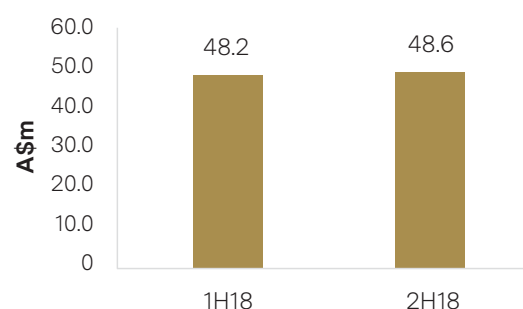
## Year in review (cont.)

### Funds under advice by service type (A\$b)

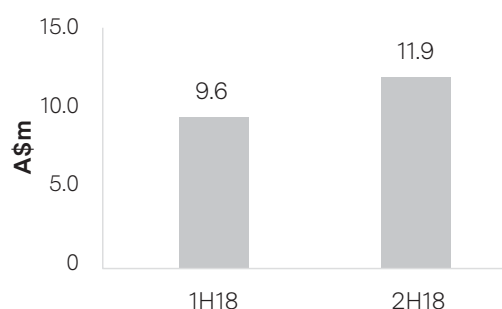


Net revenue of \$96.9 million exceeded prospectus forecasts by 4%. Wealth Advice generated pro forma EBITDA of \$21.5 million in FY18 which was 30% higher than the Prospectus forecast. Segment earnings were higher in 2H18 as a result of greater activity in equity and debt capital raisings than were forecast.

### Wealth Advice net revenue



### Wealth Advice underlying EBITDA



## CAPITAL MARKETS OVERVIEW AND PERFORMANCE

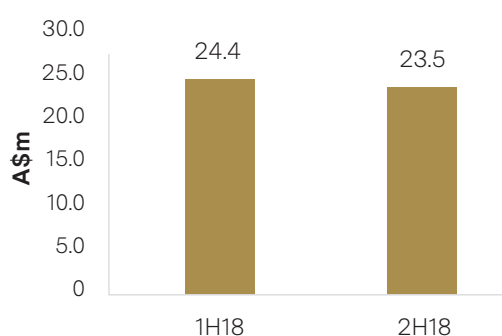
Capital Markets provides corporate advisory, origination and distribution in equity and debt capital markets, institutional cash equities and fixed income sales and trading, and investment research services.

The segment generates its revenue through institutional brokerage and securities execution commissions, management fees received for advice and execution services in respect of equity and debt capital raisings and general corporate advisory revenue.

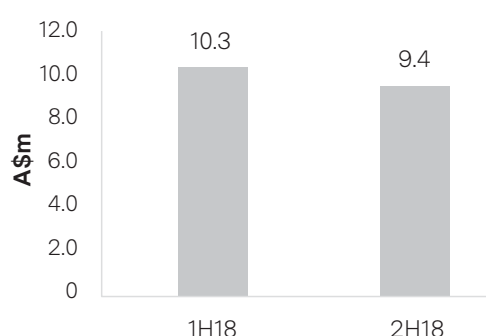
Capital Markets generated \$47.8 million in net revenue during FY18 which was 8% higher than prospectus forecast of \$44.4 million.

## Year in review (cont.)

### Capital Markets net revenue

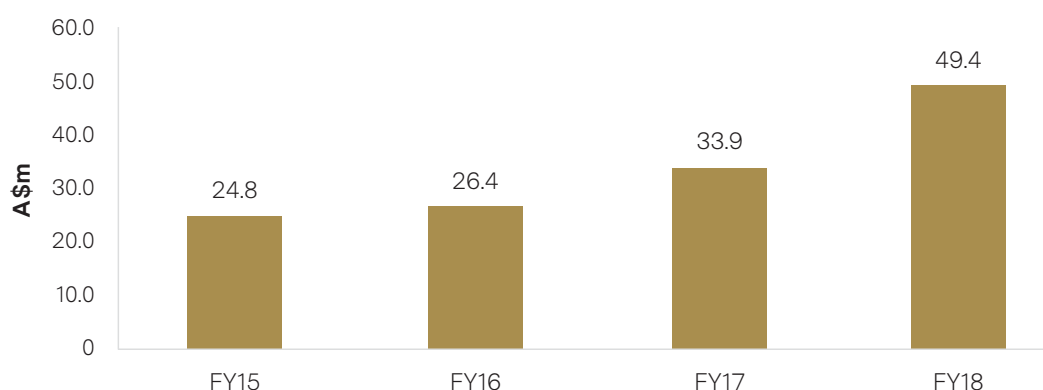


### Capital Markets underlying EBITDA



The Capital Markets segment performed well and demonstrated another successful year of growth within the institutional business. During the year, Evans Dixon (and its operating subsidiaries) advised and executed on 15 named capital markets engagements where gross revenue to Capital Markets each exceeded \$500,000.

### Capital Markets gross revenue



#### Notes:

1. Capital Markets gross revenue from FY15 - FY17 includes Capital Markets revenue from Evans & Partners from before it was part of the Evans Dixon group from 1 February 2017.

### Selected FY18 equity and debt capital markets transactions

<p>June 2018 Unsecured subordinated notes</p> <p><b>MACQUARIE</b></p> <p>Deal Value A\$900m</p> <p>Joint Lead Manager</p>	<p>June 2018 Unsecured subordinated notes</p> <p><b>CVC Limited</b></p> <p>Deal Value A\$60m</p> <p>Arranger &amp; JLM</p>	<p>June 2018 Entitlement, Shortfall &amp; General Offer</p> <p><b>3KI</b></p> <p>Deal Value A\$154m</p> <p>Joint Lead Manager</p>	<p>December 2017 Follow-on-offer</p> <p><b>New Energy Solar</b></p> <p>Deal Value A\$205m</p> <p>Joint Lead Manager</p>	<p>October 2017 IPO</p> <p><b>JOHNS LYNG GROUP</b></p> <p>Deal Value A\$96m</p> <p>Joint Lead Manager</p>	<p>July 2017 IPO</p> <p><b>convenience RETAIL REIT</b></p> <p>Deal Value A\$160m</p> <p>Joint Lead Manager</p>	<p>July 2017 IPO</p> <p><b>EVANS &amp; PARTNERS GLOBAL DISRUPTION FUND</b></p> <p>Deal Value A\$167m</p> <p>Lead Manager</p>
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## FUNDS MANAGEMENT OVERVIEW AND PERFORMANCE

Funds Management employs a thematic driven approach to investment management and focuses on sectors that present long term investment opportunities supported by strong macroeconomic tailwinds that can be accessed and actively managed with internal and partner capabilities.

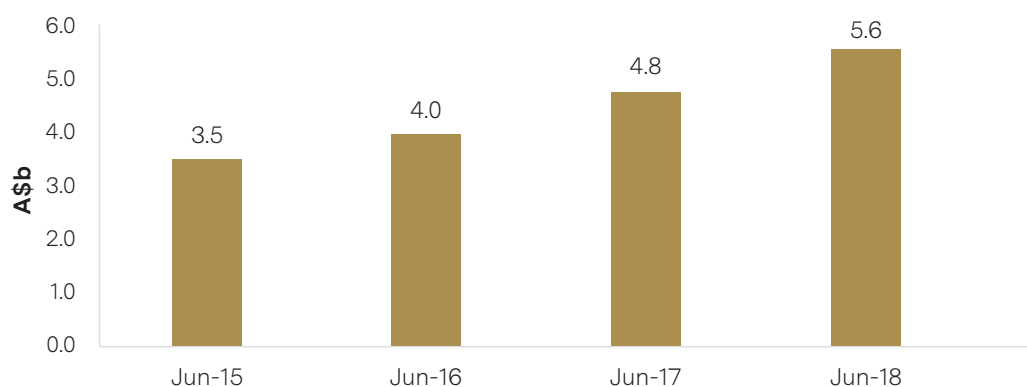
## Year in review (cont.)

During FY18, Funds Management positioned the business for future growth through key management and analyst hires and the restructuring of a number of investment products to improve outcomes for investors and ultimately increase demand for the group's investment management products.

Funds Management generates its revenue primarily from investment management fees, revenue for Responsible Entity and administration services, performance fees, revenue from execution of transactions such as asset acquisitions, disposals and debt arranging, as well as revenue received from design, architectural and project management services.

Funds Management performed strongly during FY18, with funds under management increasing \$820 million to \$5.6 billion. The group also brought four new investment funds to market.

### Funds under management

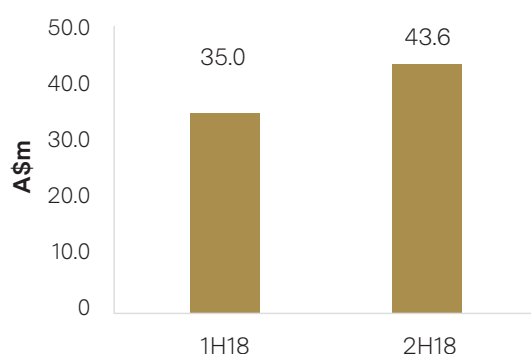


Notes:

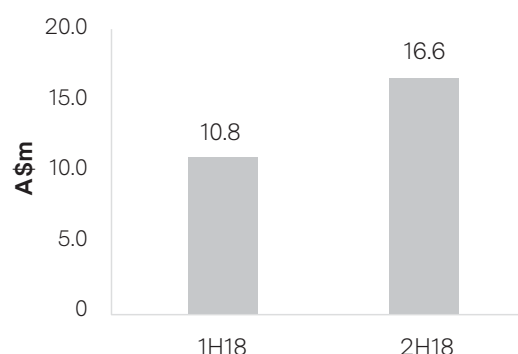
1. Funds under management from June 2015 to June 2018 is inclusive of funds in investment management products managed by Walsh & Company and Evans & Partners.

Following a strong second half performance, FY18 net revenue for the segment was \$78.6 million. Although this was 3% below the Prospectus forecast, the segment was able to achieve an underlying EBITDA results of \$27.4 million which was 2% above the Prospectus forecast. This result was achieved through a focus on controlling the direct expenses of the segment which more than offset the lower than expected net revenues.

### Funds Management net revenue



### Funds Management underlying EBITDA



## **EVANS DIXON SOLUTIONS**

The key to ensuring the highest quality delivery of service to its clients and ultimately Evans Dixon's success is the contribution made by supporting teams. This includes back and middle office functions such as People and Culture, Risk and Compliance, IT and Business Process Improvement and Marketing.

### **PEOPLE AND CULTURE**

The strength of Evans Dixon is our focus on our clients and people. Over the year, Evans Dixon welcomed several very talented senior staff and high-quality graduate employees. Evans Dixon prides itself on attracting and retaining top staff from university graduates to experienced senior professionals. In 2018, Evans Dixon was ranked No. 1 in Australia's Top Graduate Employer Rankings according to the Australian Association of Graduate Employers. Over the year Evans Dixon facilitated internal transfers of 54 employees, demonstrating the focus on retaining high quality talent within the organisation and offering a wider range of career opportunities for staff post merger.

### **RISK AND COMPLIANCE**

Evans Dixon prides itself on its core values of integrity, collaboration, accountability, respect and excellence. Evans Dixon's strong Board and management driven compliance culture is key to the business' continued success. Management firmly believes that good culture translates into good conduct which is why we continue to invest heavily in education and training, technology, processes and controls to ensure they remain robust in an evolving regulatory environment.

Evans Dixon's specialist in-house compliance and risk management team has expertise across retail and institutional financial services. Evans Dixon seeks to operate a well-resourced and scalable risk and compliance framework supported by IT infrastructure and mobility of staff across disciplines to be well positioned to respond to regulatory and legislative changes and proactively instil robust company wide compliance.

### **IT AND BUSINESS PROCESS IMPROVEMENT**

Evans Dixon embraces technology disruption in our industry. We firmly believe our ongoing commitment and investment in technology is essential in delivering a differentiated service and critical for the future growth and success of the business. Since 2007, Evans Dixon has built in-house solutions to meet fluid business and client needs. Today a dedicated team of developers and business processes executives help manage existing and develop new technology infrastructure that supports all facets of the business, driving efficiencies and improvements across execution, compliance and service delivery. During FY18, we furthered the rollout of proprietary advice technologies across the Group and realised significant efficiencies in project delivery, compliance and provision of services to our clients.

## Year in review (cont.)

### MARKETING

Evans Dixon has significant depth of marketing capabilities across its Australian and US operations which helps support each part of the Evans Dixon business. We believe investing in our franchise is key to driving a leading industry presence and delivering long term shareholder returns.

FY18 was a very pleasing year for client engagement through client focused presentations, seminars and conferences. Client events address a range of educational, investment related and financial advice topics. In FY18 the group hosted over 12,600 registered attendees across 113 client facing events.

### OUTLOOK

We believe Evans Dixon is well positioned for further growth. Our long-term focus is to enhance our capabilities in key sectors and services that we expect to add value to our clients and the Company.

Volatility in markets and business conditions are likely to increase, however, we see this as an opportunity to capitalise on the changes that occur. Our education based, compliance focused culture positions us well to benefit from further regulatory reform in the Australian financial services industry.

In Wealth Advice, we will look to continue growing our client base and funds under advice given our differentiated service proposition and the large market opportunity. We will continue to develop technology-based solutions to assist clients in managing increasing complexity (such as changes in superannuation rules) and realise further efficiencies in compliance and staff work processes.

In Capital Markets, the investment in our institutional business is continuing to deliver growth and increased market share. Performance of this segment is in part influenced by general capital markets activity and market volatility. To this end, we believe we are well positioned with a strong pipeline over the near term.

Over FY18, we positioned our funds management offering to provide better outcomes for our investors and increase the demand for and distribution of our funds management products. We believe our efforts to date in furthering our funds management offering will continue to benefit clients and external investors.

Our strong balance sheet and enhanced access to capital allows for considered investments that are of strategic benefit to clients and the company.

By remaining focused on our strategic and operational goals, we believe we will be able to deliver strong outcomes for clients and shareholders.

# Corporate governance statement

## INTRODUCTION

The board of Evans Dixon Limited (the “Company”) recognises the importance of good corporate governance and its impact on investor confidence. The board of the Company (the “Board”) is responsible for the corporate governance of the Company and its related bodies corporate (the “Group”).

This corporate governance statement documents the Company’s key corporate governance practices that were put in place by the Company, in line with the ASX’s 3rd Edition of Corporate Governance: Principles & Recommendations.

The Company listed on the ASX on 14 May 2018. From the date of listing, the Company’s corporate governance practices complied with ASX’s Corporate Governance Principles and Recommendations, unless stated otherwise in this document.

The various corporate governance policies and charters adopted by the Company and referred to in this document are available at [www.evansdixon.com.au/shareholder-centre/corporate-governance](http://www.evansdixon.com.au/shareholder-centre/corporate-governance).

## 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall corporate governance of the Group. The Board monitors the operational and financial position and performance of the Group and oversees its business strategy, including approving the strategic goals of the Group and considering and approving its annual business plan and the associated budget.

The Board is committed to maximising performance, generating appropriate level of Shareholder value and financial return and sustaining the growth and success of the Group. In conducting the Group’s business consistent with these objectives, the Board seeks to ensure that the Group is properly managed to protect and enhance shareholder interests and that the Group, its Directors, officers and personnel operate in an appropriate corporate governance environment.

The Board has adopted a written charter to clarify the roles and responsibilities of the Board members. The charter sets out:

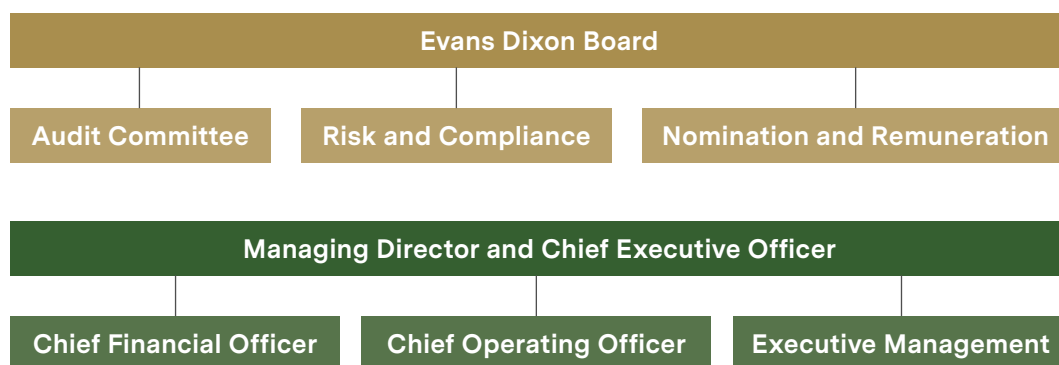
- ♦ the Board composition;
- ♦ the Board’s role and responsibilities;
- ♦ the relationship and interaction between the Board and management; and
- ♦ the authority delegated by the Board to management and Board committees.

Although the Board is ultimately responsible for the overall direction and performance of the Company and the Group, the Chief Executive Officer, under the direction of the Board, is responsible for the day-to-day management and operation of the Company.



## Corporate governance statement (cont.)

The diagram below summaries the Company's governance model.



### APPOINTMENT OF DIRECTORS

The Company has a formal process in place to ensure that appropriate background checks are undertaken before appointing a person or putting forward to shareholders a candidate for election as a director. Background checks include verification of candidate's experience, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company will provide shareholders with all the relevant material information in its possession to allow shareholders to make an informed decision. This generally includes:

- ♦ biographical details of the candidate, including their qualifications, experience and skills which may be beneficial to the Board of the Company; and
- ♦ details of any current or past directorships held by the candidate.

Each director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each director clearly understands the Company's expectations of him or her.

### ROLE OF THE COMPANY SECRETARY

The Company Secretary is responsible for providing support to the Board and its Committees by:

- ♦ monitoring whether the Company's corporate governance policies and charters are followed;
- ♦ advising the Board and the Committees on governance related matters;
- ♦ coordinating distribution of Board and Committee packs;
- ♦ preparing meeting minutes for the Board and Committees; and
- ♦ coordinating induction and professional development for directors.

The Company Secretary will be appointed by the Board and will be directly accountable to the Board through the Chairman.

### DIVERSITY

The Board recognises the importance of diversity and believes that it creates value for shareholders by fostering innovation, productivity and responsiveness. Diversity is a key strategic asset of the Group and therefore improving diversity is a key strategic focus.

## Corporate governance statement (cont.)

The Group's commitment to diversity forms part of its merit-based organisational culture dedicated to the recruitment and retention of the best available talent at all levels, up to and including the Board. The Group believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation.

The Company has adopted a Diversity Policy which outlines the Company's commitment to achieving diversity across the Group. Under the policy, the Board is expected to establish measurable objectives for achieving gender diversity and to annually review and assess both the measurable objectives for achieving gender diversity and the Group's progress in achieving them.

### MEASURABLE OBJECTIVES

Given the Company adopted the Diversity Policy in May 2018, the Company will look to establish the measurable objectives during FY19 and report against the measurable objectives in the FY19 Corporate Governance Statement.

### GENDER DIVERSITY DATA

The proportion of men and women employed by the Company as at 1 August 2018 are set out in the table below.

Level	Men	Women
Board	60%	40%
Key Management Personnel	57%	43%
Employees	58%	42%

### BOARD PERFORMANCE EVALUATION PROCESS

The Board has delegated the responsibility to the Nomination and Remuneration Committee for establishing processes to evaluate the performance of the Board, and the committees, both collectively and individually. The Company has adopted the following evaluation process:

- ♦ on an annual basis, each director must complete an evaluation questionnaire concerning the Board, Committees and each individual director;
- ♦ the Chairman is responsible for collating the responses from each director and presenting the aggregated information to the Board for discussion and feedback; and
- ♦ results from the current questionnaire may be benchmarked against data gathered through the performance evaluation process conducted in prior years.

Given the Company appointed its Board in May 2018, the first Board performance evaluation is due to take place in June 2019.

The Company has entered into an employment contract with each of its senior executives setting out the terms and conditions of their employment.

## Corporate governance statement (cont.)

### SENIOR EXECUTIVE PERFORMANCE EVALUATION PROCESS

The Board is responsible for regularly reviewing the performance of key senior executives against measurable and qualitative indicators as decided by the Board. The Nomination and Remuneration Committee is responsible for annually reviewing the performance of the Group CEO against the achievement of strategic and financial objectives of the Group in addition to a review of the Group CEO's personal performance in respect of his leadership of the Group.

A performance evaluation for the senior executives, including the CEO was undertaken in 2018. Given the Company listed in May 2018, a formal review in accordance with the processes described above will take place FY19.

## 2. STRUCTURE THE BOARD TO ADD VALUE

### NOMINATION AND REMUNERATION COMMITTEE

The Board has established a Nomination and Remuneration Committee to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives to seek to ensure that the Company:

- ♦ has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- ♦ has coherent remuneration policies and practices to attract and retain executives and directors who can reasonably be expected to create value for shareholders;
- ♦ observes those remuneration policies and practices; and
- ♦ fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

The Nomination and Remuneration Committee is also responsible for:

- ♦ identifying and recommending to the Board nominees for membership of the Board;
- ♦ annually evaluating the performance of the Board, both collectively and individually;
- ♦ reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices;
- ♦ reviewing the remuneration of Non-Executive Directors for serving on the Board and any committee (both individually and in total); and
- ♦ reviewing any insurance premiums or indemnities for the benefit of directors and officers.

The committee is governed by the Nomination and Remuneration Committee charter. The charter provides that the committee must comprise of at least three directors, majority of whom are independent directors. The chairman of this committee must be an independent Non-Executive Director.

Members of the Nomination and Remuneration Committee are:

- ♦ Sally Herman (Chairman, Independent Non-Executive Director)
- ♦ Josephine Linden (Independent Non-Executive Director)
- ♦ David Evans (Executive Director)

## Corporate governance statement (cont.)

Given the Company listed in May 2018, the committee intends to hold its first meeting in November 2018.

### BOARD SKILLS MATRIX

The Company seeks to maintain a Board of Directors with a broad range of skills and diversity. The Board has developed the following matrix which lists the skills and industry experience across the five members of the current Board.

Skills	Number of directors
Leadership and Strategic Direction	5
Corporate Governance	5
Financial and Accounting	5
Risk Based Auditing & Risk Management	5
Legal and Regulatory Compliance	5
Industry Experience	Number of directors
Financial Markets	5
Wealth Management	5
Funds Management	5
Corporate Advisory	5
Legal and Regulatory Compliance	5

### COMPOSITION OF THE BOARD

The Company's current Board is majority independent and comprises the following members:

Director	Position
David Evans	Executive Chairman
Alan Dixon	Managing Director & Chief Executive Officer
Sally Herman	Independent Non-Executive Director
Josephine Linden	Independent Non-Executive Director
David Crawford AO	Independent Non-Executive Director

Detailed biographies of the Board members at the date of this report are given in the Directors' Report (see page 27 of the Annual Report), including the number of years in office, skills, experience and current and former directorships.

The ASX Principles and Recommendations state that the Chairman position be held by an independent Non-Executive Director. The Directors have reserved absolute discretion to determine the appropriate composition of the Board and have determined not to follow the ASX Principles and Recommendations that the Chairman position be held by an independent Non-Executive Director at this time. The Company believes it is appropriate for David Evans to be the Executive Chairman given he is the founder of Evans & Partners and has deep experience and knowledge in the industry sectors in which the Group operates.

## Corporate governance statement (cont.)

### INDUCTION AND ONGOING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment, the directors of the Company are individually briefed by the Board, CEO, CFO, COO and senior management and receive a suite of documents including key corporate governance policies and charters, the Company's strategic plans and the relevant financial forecast materials. Each new director also receives a legal induction from the Company's legal counsel which includes an overview of directors' duties and all relevant policies.

The Company Secretary is responsible for facilitating the induction and ongoing development of all directors, and where necessary, from time to time, may recommend relevant courses and industry seminars which may benefit the directors and assist members in discharging their duties.

The Board regularly participates in educational sessions in areas of relevance to develop and maintain the skills and knowledge needed to perform their role as director.

## 3. ACT ETHICALLY AND RESPONSIBLY

### CODE OF CONDUCT

The Company has been committed to maintaining the highest ethical standards in the conduct of its business activities. The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by Directors, management, senior executives and other employees.

The key aspects of this code are to:

- ♦ articulate the high standards of honesty, integrity and ethical and law-abiding behavior of directors and senior executives;
- ♦ encourage the observance of those standards to protect and promote the interest of shareholders and other stakeholders (including employees, clients, service providers and creditors);
- ♦ guide directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and
- ♦ set out the responsibility and accountability of directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

### SECURITIES TRADING POLICY

The Company has adopted a Securities Trading Policy which will apply to the Company and its directors, officers, employees, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly (i.e. key management personnel) and associates of the Company directors, officers and employees (Associates).

The policy is intended to explain the types of conduct in relation to dealings in shares of the Company that are prohibited under the Corporations Act and establish procedures in relation to Directors, officers, employees, key management personnel or Associates dealing in shares of the Company.

## Corporate governance statement (cont.)

The securities trading policy defines certain 'trading windows' during which trading in shares of the Company by directors, officers and certain key management personnel is permitted. In all instances, buying or selling of shares of the Company is not permitted at any time by any person who possesses price-sensitive information.

### FRAUD AND CORRUPTION POLICY

Any fraud or corruption committed against the Company is a major concern to the Company. The Company requires all officers, Associates and employees at all times to act honestly and with integrity and to safeguard the Company resources for which they are responsible. The Company is also committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits. Accordingly, the Board has adopted a fraud and corruption policy.

The fraud and corruption policy applies to all officers and employees (including directors, executives and managers) of the Company and the Group.

## 4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### AUDIT COMMITTEE

The Board has established an Audit Committee to:

- ♦ help the Board achieve its objective in relation to:
  - ♦ financial reporting;
  - ♦ the application of accounting policies;
  - ♦ overseeing external and internal audit;
  - ♦ legal and regulatory compliance; and
  - ♦ internal control and risk management systems;
- ♦ maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- ♦ promote a culture of compliance;
- ♦ ensure effective communication between the Board and senior financial and compliance management;
- ♦ ensure effective internal and external audit functions and communications between the Board and the external and internal auditors; and
- ♦ ensure compliance strategies and the compliance function are effective.

The Audit Committee has adopted a formal charter which includes the role and responsibilities of the committee. The charter provides that the committee must comprise of at least three directors, all being Non-Executive Directors who are financially literate (and at least one of whom is a financial expert) and a majority of independent directors. All members of this committee must be able to read and understand financial statements and at least one member be a qualified accountant or other financial professional with experience of financial and accounting matters.

## Corporate governance statement (cont.)

Members of the Audit Committee are:

- ♦ David Crawford AO (Chairman, Independent Non-Executive Director)
- ♦ Josephine Linden (Independent Non-Executive Director)
- ♦ Sally Herman (Independent Non-Executive Director)

Given the Company listed in May 2018, the committee held its first meeting in August 2018.

## FINANCIAL STATEMENTS DECLARATIONS

As required under section 295A of the *Corporations Act 2001*, the CEO and CFO are required to provide written declarations for a financial period confirming that in their opinion, the financial records of the Company have been properly maintained and the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Company, based on their review of the internal control systems, management of risk, the financial statements and the letter from the Company's external auditor.

The CEO and CFO have provided a written statement in compliance with section 295A of the *Corporations Act* in respect of the 2018 full year statutory accounts of the Company.

## 5. MAKE TIMELY AND BALANCED DISCLOSURE

### MARKET DISCLOSURE POLICY

The Company is required to comply with the continuous disclosure obligations of the ASX Listing Rules and the *Corporations Act*. The Company is committed to observing its continuous disclosure obligations and has adopted a Market Disclosure Policy which establishes procedures that are aimed at ensuring that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information. The CEO, in consultation with the Board, will review the policy as often as it considers necessary.

The Board is responsible for monitoring compliance with the policy. The CEO, CFO, Company Secretary and any other persons nominated by the Board from time to time have the responsibility for managing the Company's compliance with its continuous disclosure obligations. The disclosure officer will be responsible for the disclosure of material information to the ASX. Any items of materiality that require disclosure require the approval of the chairman of the Board prior to release.

## 6. RESPECT THE RIGHTS OF SECURITY HOLDERS

### SHAREHOLDER COMMUNICATIONS POLICY

The Board's aim is to provide shareholders with sufficient information to assess the performance of the Company and to inform them of major developments affecting the affairs of the Company relevant to shareholders in accordance with all applicable laws. The Company has adopted a Shareholders Communications Policy which aims to promote effective communication with its shareholders and encourage effective participation at general meetings of the Company.



## Corporate governance statement (cont.)

Information will be communicated to shareholders through the lodgment of all relevant financial and other information with the ASX and publishing information on the Company's website.

In particular, the Company's website will contain information, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to the ASX.

Each shareholder is provided online access to the Registry to allow them to receive communications from, and send communication to, the Company and the Registry. The Board encourages full participation of shareholders at the annual general meeting. Shareholders who are unable to attend the annual general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

The Company will ensure that its external auditor attends the Company's annual general meeting and is available to answer questions from the shareholders relevant to the audit.

## 7. RECOGNISE AND MANAGE RISK

### RISK AND COMPLIANCE COMMITTEE

The Board has established a Risk and Compliance Committee to:

- ♦ ensure legal and regulatory compliance;
- ♦ review business policies and practices;
- ♦ monitor the risk appetite of the Company;
- ♦ oversee the internal controls and risk management systems;
- ♦ monitor the Company's adherence to the Code of Conduct;
- ♦ assist the Company in fulfilling its responsibilities relating to compliance; and
- ♦ promote a culture of compliance.

The Risk and Compliance Committee has adopted a formal charter which details the roles and responsibilities of the committee. Under the charter, the committee is responsible for:

- ♦ monitoring, reviewing and assessing the Company's compliance, including the effectiveness of its compliance program;
- ♦ assisting in ensuring appropriate compliance information is provided to the Board; and
- ♦ maintaining open communication channels among the Risk and Compliance Committee, management and internal and external advisors in order to review and discuss specific issues, exchange views and information and confirm respective duties and responsibilities as appropriate.

The CEO and CFO are standing invitees of each meeting of the committee. The chairman of the committee (or a person nominated by the chairman of the committee) must report to the Board following each meeting of the committee on all matters relevant to the committee's duties and responsibilities.

## Corporate governance statement (cont.)

The Risk and Compliance Committees must comprise of at least three directors, all being Non-Executive Directors and majority of whom must be independent directors. The chairman of this committee must be an independent Non-Executive Director.

Members of the Risk and Compliance Committee are:

- ♦ David Crawford AO (Chairman, Independent Non-Executive Director)
- ♦ Sally Herman (Independent Non-Executive Director)
- ♦ Josephine Linden (Independent Non-Executive Director)

Given the Company listed in May 2018, the committee held its first meeting in August 2018.

## RISK MANAGEMENT FRAMEWORK

The Risk and Compliance Committee assists the Board with its oversight of the Company's risk management systems. Each of the Company's key underlying divisions maintain a risk management framework which is reviewed on a quarterly basis by the respective compliance committee of that division that is overseen by the Board. A formal review of the Company's risk management systems and respective division's risk management framework is undertaken at least annually.

An annual review of the Company's risk management systems has taken place for the reporting period.

## INTERNAL AUDIT FUNCTION

The Company does not currently have an internal audit function in place. For its current size and scale, the Company relies on senior executives and internal operational, risk and compliance teams to perform supervising and monitoring over the Company's risk management systems, internal controls and governance. The Company compliments this with the use of external consultants who will work with the executive, operational, risk and compliance teams. The Company regularly reviews the size and scale of its operations with respect to the suitability of establishing an internal audit function.

## MATERIAL EXPOSURE TO SUSTAINABILITY RISKS

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's financial performance objectives, including market risk, liquidity risk and credit risk. Those risks and how they are managed are described in page 85 of the Annual Report.

Other key risks include:

- ♦ regulatory risk, compliance and legislative change;
- ♦ changing market conditions;
- ♦ increased market competition and disintermediation;
- ♦ reputation and brand risk;
- ♦ failure to attract and retain skilled personnel and key senior executives;

## Corporate governance statement (cont.)

- ♦ operating systems, processing and controls failure;
- ♦ professional liability risk;
- ♦ information systems and cyber risk; and
- ♦ foreign exchange rate risk.

The Group does not have any material exposure to environmental or social sustainability risks.

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

### REMUNERATION POLICIES AND PRACTICES

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives are disclosed in the Company's Remuneration Report on page 34 of the Annual Report.

### EQUITY BASED REMUNERATION SCHEMES

The Company has adopted a Loan Funded Share Plan (LFSP) for Australian-based employees and an Options/Rights Plan (ORP) for US based employees to:

- ♦ provide an incentive for them to remain in their employment;
- ♦ recognise their ongoing ability and expected efforts;
- ♦ acknowledge their contribution to the performance and future success of the Group; and
- ♦ provide a means through which they may acquire shares in the Company and benefit from the potential growth in the Company's share price.

The Company's Securities Trading Policy prohibits directors, officers and employees of the Company from using derivatives in relation to any unvested Company shares in any way.

# Directors' Report

## INTRODUCTION

The Directors of Evans Dixon Limited (the "Company") submit herewith the annual report of the consolidated entity comprising the Company and its controlled entities (herein referred to as the "Group") for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

## DIRECTORS

The following persons were Directors of Evans Dixon Limited during the financial year and up to the date of this report:

- ♦ David Evans, Executive Chairman
- ♦ Alan Dixon, Managing Director and CEO
- ♦ Sally Herman, Non-Executive Director (appointed 23 March 2018)
- ♦ Josephine Linden, Non-Executive Director (appointed 23 March 2018)
- ♦ David Crawford AO, Non-Executive Director (appointed 23 May 2018)
- ♦ Patrick Broughton (resigned 23 March 2018)
- ♦ Christopher Brown (resigned 23 March 2018)
- ♦ Parrish Davis (resigned 23 March 2018)
- ♦ Paul Ryan (resigned 23 March 2018)

## COMPANY SECRETARIES

The following persons were company secretaries of Evans Dixon Limited during the financial year and up to the date of this report:

- ♦ Tristan O'Connell
- ♦ Simon Barnett

## Directors' Report *(cont.)*

### INFORMATION ON CURRENT DIRECTORS



Member of:  
Nomination and  
Remuneration  
Committee

#### DAVID EVANS

David Evans is the Executive Chairman of Evans Dixon Limited, having established Evans and Partners Pty Ltd in June 2007.

Since 1990, he has worked in a variety of roles within JB Were & Son and then the merged entity Goldman Sachs JBWere Pty Ltd.

Prior to establishing Evans and Partners, David ran Goldman Sachs JBWere's (GSJBW) Private Wealth business and the Institutional Equities business. His most recent role at GSJBW was as Managing Director and Chief of Staff.

He is a director of Seven West Media (SWM) and a member of the Remuneration & Nomination Committee. He is a member of the Victorian Police Corporate Advisory Group, Chairman of Cricket Australia's Investment Committee and holds a Bachelor of Economics from Monash University.



#### ALAN DIXON

Alan Dixon is the Managing Director and CEO of Evans Dixon Limited.

Primarily based in the USA, Alan also oversees the firm's senior leaders and influences the strategic initiatives of more than 600 professionals, working with clients in Sydney, Melbourne, Brisbane, Canberra, Jersey City and New York City. He is also Managing Director and CEO of Dixon Advisory USA, a leader in the US urban single-family home rental business.

Alan joined Dixon Advisory in January 2001. Prior to joining Dixon Advisory, Alan worked in Chartered Accountancy and Investment Banking roles in Australia.

Alan is a director of New Energy Solar Limited, an ASX-listed infrastructure company focused on solar power generating assets. He holds a Bachelor of Commerce from the Australian National University and is a member of the Institute of Chartered Accountants in Australia.

## Directors' Report (cont.)



### SALLY HERMAN

Sally Herman is an experienced Non-Executive Director in the fields of financial services, retail, manufacturing and property. She had a successful executive career in financial services in both Australia and the US, transitioning in late 2010 to a full-time career as a Non-Executive Director.

Prior to that, she had spent 16 years with the Westpac Group, running major business units in most operating divisions of the Group, as well as heading up Corporate Affairs and Sustainability, during the merger with St. George and the global financial crisis.

Sally now sits on both listed and unlisted Boards, including three ASX 200 companies, Suncorp Group Limited, Premier Investments Limited and Breville Group Limited. She is also on the Board of Investec Property Limited and the Sydney Harbour Federation Trust. Sally is actively involved in the not for profit sector, with a particular interest in social justice, education and the arts. She holds a Bachelor of Arts from University of NSW and is a member of Chief Executive Women.

Chairman of:

Nomination and  
Remuneration  
Committee

Member of:

Audit Committee

Risk and Compliance  
Committee



### JOSEPHINE LINDEN

Josephine Linden is Founder and Chief Executive Officer of Linden Global Strategies, a wealth management advisory firm and multifamily office. She retired from Goldman Sachs as a Partner and Managing Director in 2009, after being with the firm for over 25 years and was previously an Advisor to Goldman Sachs JBWere, Australia.

Josephine serves on private and non-profit boards. She is the Chairman of Lands' End, Director of Sears Hometown & Outlet Stores Inc. and member of the Advance Global Advisory Council. She is the financial advisor for The Prince of Wales Foundation. She is a Trustee for the Collegiate School, and currently chairs the Financing Committee, sits on the Executive Committee and Investment Committee, and served as Treasurer.

She was an Adjunct Professor at the Business School of Columbia University, where she taught a class in wealth management, and currently teaches and moderates ad hoc sessions. She is a member of the Council on Foreign Relations. She holds an MBA from University of Chicago and a BA from the University of Sydney.

Having spent her childhood and young adult life in Sydney, Josephine continues to maintain strong ties to Australia despite being based in New York City. Josephine is an active contributor to the Australian Consulate in New York and has had the honour of presenting at the Australia Day address on two occasions.

Member of:

Nomination and  
Remuneration  
Committee

Audit Committee

Risk and Compliance  
Committee

## Directors' Report (cont.)



### DAVID CRAWFORD AO

David Crawford retired as a Partner and National Chairman of KPMG in June 2001, after more than 30 years' service with KPMG and its predecessor firms.

In his role as National Chairman, he was also a member of the International Board of KPMG and was Chairman of the International Professional Indemnity Insurance Committee for KPMG International.

Chairman of:

Audit Committee

Risk and Compliance  
Committee

In his professional capacity as a Partner of KPMG, he specialised in working in the restructuring of companies in financial difficulties. Some of the restructuring assignments include International Harvester Australia Limited, The Trustees Executors and Agency Company Limited, Ariadne Australia Limited, Bond Brewing Holdings Limited, Qintex Australia Limited, Queensland Nickel Joint Venture and The Adelaide Steamship Group.

David is currently Chairman of Lendlease Corporation, Chairman of South32, and Chairman of Australia Pacific Airports Corporation Limited.

David holds a Bachelor of Commerce, University of Melbourne, Bachelor of Law, University of Melbourne and is a Fellow of the Institute of Chartered Accountants and Fellow of the Australian Society of Certified Practising Accountants.

## INFORMATION ON CURRENT COMPANY SECRETARIES

### TRISTAN O'CONNELL

Tristan is the Chief Financial Officer of Evans Dixon Limited, a position held since joining Dixon Advisory in 2005 after 10 years' experience in corporate financial and management roles within the wholesale financial markets industry.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

### SIMON BARNETT

Simon has extensive experience in financial services law, having previously held the position of Director at corporate and commercial law firm Watson Mangioni after previously working at various law firms in New Zealand.

Simon has a Practising Certificate from the Law Society of NSW and has been admitted to the Supreme Court of NSW as a solicitor. He has a Bachelor of Law and a Bachelor of Arts (Economics) from the University of Otago.



## Directors' Report (cont.)

### DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member):

	Board meeting		Audit Committee		Nomination and Remuneration Committee		Risk and Compliance Committee	
	A	H	A	H	A	H	A	H
David Evans	9	9	#	#	-	-	#	#
Alan Dixon	9	9	#	#	#	#	#	#
Sally Herman	4	4	-	-	-	-	-	-
Josephine Linden	4	4	-	-	-	-	-	-
David Crawford AO	-	-	-	-	#	#	-	-
Patrick Broughton	3	6	#	#	#	#	#	#
Christopher Brown	6	6	#	#	#	#	#	#
Parrish Davis	6	6	#	#	#	#	#	#
Paul Ryan	6	6	#	#	#	#	#	#

A – Number of meetings attended.

H – Number of meetings held during the time the Director held office during the year.

# – Not a member of committee.

### PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES TO NATURE OF ACTIVITIES

The principal activities of the Group during the financial year were the provision of financial advice, investment advice, stockbroking services, property design and construction management, self-managed superannuation fund administration, the management of investment companies and managed investment schemes, Responsible Entity services to managed investment schemes and advisory services to corporations on equity and debt capital market transactions.

There has been no significant change in the nature of these activities during the year.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 23 February 2018, the Company was converted to an Australian public company and as such the name of the Company changed from Evans Dixon Pty Limited to Evans Dixon Limited.

On 14 May 2018, Evans Dixon Limited was listed on the Australian Securities Exchange (ASX), issuing 52,000,000 new shares, representing 24.3% of the expanded issued capital of the Company, and raised \$130 million.

There were no other significant changes in the state of affairs of the Group during the financial year.

## Directors' Report (cont.)

### REVIEW AND RESULTS OF OPERATIONS

The consolidated profit of the Group after providing for income tax amounted to \$19,270,337 (2017: \$17,732,548). Please refer to the section 'Year in review' on page 7 for further detail on the review and results of operations for the year ended 30 June 2018.

### DIVIDENDS

Fully franked dividends of \$13,840,502 (2017: nil) were declared or paid to shareholders during the year as follows:

- ♦ 2.0 cents per share paid on 17 November 2017 amounting to \$3,135,517; and
- ♦ 5.0 cents per share paid on 13 June 2018 amounting to \$10,704,985.

### SUBSEQUENT EVENTS

The Board has declared a fully franked dividend of 6.0 cents per share that is expected to be paid on 10 October 2018.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Group has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them, to the extent permitted by the *Corporations Act 2001*, in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company or a controlled entity, other than conduct involving a wilful breach of duty in relation to the Company or a controlled entity.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### ENVIRONMENTAL REGULATION

The Directors are satisfied that adequate systems are in place for management of the Group's environmental responsibility and compliance with various requirements and regulations in Australia and the United States of America. The Directors are not aware of any material breaches to these requirements, and to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements.

## Directors' Report (cont.)

### NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8 to the financial statements. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services as disclosed in Note 8 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- ♦ All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor.
- ♦ None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included immediately after this report on page 41.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors,



David Evans  
Director



Alan Dixon  
Director

Dated: 27th August 2018

# Directors' Report:

## Remuneration Report

The remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Evans Dixon Limited's key management personnel for the year ended 30 June 2018. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- ◆ Details of Key Management Personnel (KMP)
- ◆ Remuneration policies and practices
- ◆ Relationship between the remuneration policy and group performance
- ◆ Remuneration of Non-Executive Directors
- ◆ Details of Non-Executive Directors remuneration for the year ended 30 June 2018
- ◆ Remuneration of Executive KMP
- ◆ Details of KMP remuneration for the year ended 30 June 2018
- ◆ Key terms of employment contracts – Executive KMP
- ◆ KMP equity holdings
- ◆ Other transactions with KMP

There was a significant change to the Board of Directors on 23 March 2018 in preparation for the IPO of the Company. To reflect this change, the remuneration report for the year ended 30 June 2018 is split into the periods pre- and post-23 March 2018.

### DETAILS OF KEY MANAGEMENT PERSONNEL (KMP)

The following persons are considered Key Management Personnel of the Group during or since the end of the most recent financial year:

Name	Role	Period
David Evans	Executive Director and Executive Chairman	1 July 2017 – 30 June 2018
Alan Dixon	Executive Director, Managing Director and Group Chief Executive Officer	1 July 2017 – 30 June 2018
Sally Herman	Non-Executive Director	23 March 2018 – 30 June 2018
Josephine Linden	Non-Executive Director	23 March 2018 – 30 June 2018
David Crawford AO	Non-Executive Director	23 May 2018 – 30 June 2018
Parrish Davis	Executive Director and Group Chief Operating Officer	1 July 2017 – 30 June 2018
Christopher Brown	Executive Director and Chief Strategy Officer	1 July 2017 – 23 March 2018
Paul Ryan	Executive Director and Head of Evans & Partners Capital Markets	1 July 2017 – 23 March 2018
Patrick Broughton	Executive Director and Deputy Executive Chairman	1 July 2017 – 23 March 2018
Tristan O'Connell	Group Chief Financial Officer	1 July 2017 – 30 June 2018

## Directors' Report: Remuneration Report (cont.)

The named persons held their KMP related roles for the whole of the periods listed above, however it is noted that Parrish Davis resigned from the position of Executive Director on 23 March 2018.

### REMUNERATION POLICIES AND PRACTICES

Executive remuneration and incentive policies and practices are performance based and aligned with the Group's vision, values and overall business objectives.

Since undertaking the IPO, the Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and senior management team.

Executive remuneration and incentive policies and practices are designed to:

- ♦ motivate the directors and senior management to pursue the Group's long-term growth and success;
- ♦ demonstrate a clear relationship between the Group's overall performance and the performance of executives; and
- ♦ comply with all relevant legal and regulatory provisions.

### RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND GROUP PERFORMANCE

The review of the performance of the Executive KMP includes both qualitative and quantitative factors, including the financial performance of the Group. The performance of each Executive KMP determines his or her annual bonus and any salary increase. The three Non-Executive Directors receive a fixed fee regardless of Group performance.

For FY18, given the proximity of the IPO date to year-end balance date, a key measurement of financial performance and impact on shareholders wealth is how the Group has performed compared to the forecast included in its Prospectus. As part of the listing, 24.3% of the expanded share capital of the Group was offered to the public at a price of \$2.50. The table below compares the Group's actual performance for FY18 against the forecast included in the Prospectus.

Performance of KMP	FY18	Prospectus Forecast	% Change
Statutory EBITDA (\$ million)	38.7	30.4	27%
Statutory NPAT (\$ million)	19.3	15.2	27%
Statutory EPS (cents)	11.5	9.1	26%
Underlying EBITDA (\$ million)	50.1	42.6	18%
Underlying NPATA (\$ million)	31.1	27.2	14%
Underlying EPS (cents)	14.5	12.7	14%

### REMUNERATION OF NON-EXECUTIVE DIRECTORS

Under the Constitution, the total amount of fees paid to all Directors for their services (excluding, the salary of an Executive Director) must not exceed in aggregate \$1,200,000 per annum in any financial year. Any change to this aggregate annual sum needs to be approved by Shareholders in a general meeting. The ASX Listing Rules require that the remuneration of Executive Directors must not include a commission on, or a percentage of, operating revenue.

## Directors' Report: Remuneration Report (cont.)

Annual Directors' fees currently agreed to be paid by the Company to a Non-Executive Director are \$175,000 per annum plus \$25,000 per annum in aggregate if the Director is appointed a member of any Board committees for the Company.

Shares, options, rights and other share-based payments may be provided to Non-Executive Directors as part of their remuneration according to the rules of any share plan that has or may be introduced and adopted by the Company, subject to the Listing Rules and requirements of the Corporations Act. The value of any such shares, options, rights and other share-based payments will not be included in the aggregate maximum amount.

### DETAILS OF NON-EXECUTIVE DIRECTORS

#### REMUNERATION FOR THE YEAR ENDED 30 JUNE 2018

Sally Herman received \$54,615 for her role as Non-Executive Director and sitting committee member of: Nomination and Remuneration Committee; Audit Committee; Risk and Compliance Committee for the period 23 March 2018 to 30 June 2018.

Josephine Linden received \$54,615 for her role as Non-Executive Director and sitting committee member of: Nomination and Remuneration Committee; Audit Committee; Risk and Compliance Committee for the period 23 March 2018 to 30 June 2018.

David Crawford AO received \$22,051 for his role as Non-Executive Director and sitting committee member of: Audit Committee; Risk and Compliance Committee for the period 23 May 2018 to 30 June 2018.

#### REMUNERATION OF EXECUTIVE KMP

In this remuneration report, the term 'Executive KMP' is used to refer to:

- ♦ David Evans, Alan Dixon, Patrick Broughton, Christopher Brown, Paul Ryan, Parrish Davis and Tristan O'Connell for the period 1 July 2017 to 23 March 2018.
- ♦ David Evans, Alan Dixon, Parrish Davis and Tristan O'Connell for the period 23 March 2018 to 30 June 2018.

The Executive KMP receive a variable level of remuneration. To achieve the aims of attracting, motivating and retaining capable individuals, remuneration for all employees includes a mix of fixed and variable remuneration components.

The fixed component is delivered through a base salary inclusive of superannuation. The variable component is delivered through the semi-annual bonus scheme. The process for determining remuneration is the same for all employees, but in this Remuneration Report the process is described to the extent it applies to Executive KMP.

Each Executive KMP is eligible to participate in the semi-annual bonus scheme. The Executive KMP must be employed at the time bonuses are paid in order to receive a bonus. Payment of bonuses are currently made in cash. As disclosed in the Prospectus, the Board plans to establish an employee share scheme, in which Executive KMP will be eligible to participate. However as at the time of signing this report, the scheme has not yet been finalised or introduced.

In addition to the annual bonus scheme, the Executive Chairman and Managing Director & CEO's salary compensation includes a fixed bonus component which is payable six-monthly.

## Directors' Report: Remuneration Report (cont.)

The review of salaries and the payment of bonuses to Executive KMP is determined annually by the Board and since 23 March 2018 on recommendation from the Nomination and Remuneration Committee. In determining salary increases (if any) and the bonus amounts (if any) for Executive KMP, the Board takes into account a range of factors including the performance of the Group, market remuneration levels, key metrics such as total compensation of all employees as a percentage of Group revenue, as well as the performance of each Executive KMP.

In addition to the aforementioned annual bonus scheme, in February 2018, upon execution of their new service agreements with the Group and as disclosed in the IPO Prospectus, integration bonuses totalling \$5,132,075 each were paid to the Executive Chairman and Managing Director and CEO of the Group in recognition of their efforts in facilitating the 2017 merger between Evans and Partners and the existing Dixon group as a private business.

### DETAILS OF KMP REMUNERATION FOR THE YEAR ENDED 30 JUNE 2018

	Short term employee benefits				Post employment benefits	Long term employee benefits	
	Salaries and fees \$	Bonuses \$	Special bonus** \$	Other \$	Super-annuation \$	Long service leave \$	Total \$
<b>Executive KMP</b>							
David Evans	539,951	1,320,000	5,132,075	10,227	20,049	10,312	7,032,614
Alan Dixon	535,000	1,320,000	5,132,075	-	25,000	-	7,012,075
Tristan O'Connell	295,000	875,000	-	21,147	20,049	5,662	1,216,858
Parrish Davis	250,000	425,000	-	500	20,049	4,775	700,324
Christopher Brown *	238,655	954,006	-	6,657	15,037	4,565	1,218,920
Paul Ryan *	219,048	435,912	-	-	14,605	4,813	674,378
Patrick Broughton *	126,241	-	-	6,157	10,913	4,181	147,492
<b>Non-Executive KMP</b>							
Sally Herman *	49,877	-	-	-	4,738	-	54,615
Josephine Linden *	54,615	-	-	-	-	-	54,615
David Crawford AO *	20,138	-	-	-	1,913	-	22,051
<b>Total</b>	<b>2,328,525</b>	<b>5,329,918</b>	<b>10,264,150</b>	<b>44,688</b>	<b>132,353</b>	<b>34,308</b>	<b>18,133,942</b>

\*Note: Includes remuneration paid or accrued to the respective individuals for the period of time the individual was classified as a KMP (as previously detailed in this Remuneration Report).

\*\*Note: Includes one-off integration bonuses paid while the company was private (prior to IPO) totalling \$5,132,075 to the Executive Chairman and Chief Executive Officer of the Group. The after-tax portion of the bonus (\$2,720,000 each) was settled through the issue of 2,000,000 shares each which was considered to represent the fair value of the securities at grant date.

As this is the first financial year the Company is a listed entity, the above remuneration table is for the year ended 30 June 2018 only, and does not contain comparative data for the year ended 30 June 2017.



## Directors' Report: Remuneration Report (cont.)

The table below provides the relative proportion of 2018 Executive KMP remuneration, including bonuses:

Executive KMP	Fixed	Variable
David Evans	27 %	73 %
Alan Dixon	27 %	73 %
Tristan O'Connell	28 %	72 %
Parrish Davis	39 %	61 %
Christopher Brown	22 %	78 %
Paul Ryan	35 %	65 %
Patrick Broughton	100 %	0 %

### KEY TERMS OF EMPLOYMENT CONTRACTS – EXECUTIVE KMP

The major terms and conditions of the employment contracts of those Executive KMP in place from 23 March 2018 to 30 June 2018 are as follows:

#### EXECUTIVE CHAIRMAN

The Company has entered into an executive services agreement with David Evans to govern his employment with the Company as Executive Chairman. Key provisions of the executive services agreement are as follows:

- ♦ total salary compensation of \$560,000 per annum (including superannuation entitlements) together with a bonus of \$660,000 in respect of each six-month period of the Executive Chairman's employment payable in June and December of each year from 2018 to 2021 (inclusive), beginning with the first bonus in respect of the six months to 30 June 2018;
- ♦ the ability to participate in any of the Group's bonus schemes applicable to the Executive Chairman and to receive payment of a commission in an amount determined by the CEO in his discretion if the Executive Chairman is responsible for generating business from a client of the Company or a controlled entity which has a significant value to the Company or a controlled entity;
- ♦ an initial fixed term of five years from 22 February 2018. Following the expiration of the initial term, the Executive Chairman's employment will continue on the terms of his executive services agreement on an ongoing basis unless terminated by either party in accordance with the agreement;
- ♦ at any time after the fixed initial term of five years, a right for either the Company or the Executive Chairman to terminate the Executive Chairman's employment by giving three months' written notice;
- ♦ a right for the Company to terminate the Executive Chairman's employment without notice consistent with market practice for a contract of this nature; and
- ♦ six weeks annual leave per year as well as other customary leave entitlements.

In addition, a restraint deed arrangement was entered into by the Company with the Executive Chairman in February 2018 (when the Company was private and unlisted), under which the Executive Chairman has given a number of post-employment covenants for the protection of the Group's business. In consideration of the provision of these covenants, a sum of \$5,000,000 was paid to the Executive Chairman.

## Directors' Report: Remuneration Report (cont.)

### MANAGING DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER

A controlled entity of the Company has entered into an executive services agreement with Alan Dixon to govern his employment as Managing Director & CEO of the Group and of Dixon Advisory USA Inc, (DAU). Key provisions of the executive services agreement are as follows:

- ♦ total salary compensation of \$560,000 per annum (including superannuation entitlements) together with a bonus of \$660,000 in respect of each six-month period of the Managing Director & CEO's employment payable in June and December of each year from 2018 to 2021 (inclusive), beginning with the first bonus in respect of the period from six months to 30 June 2018;
- ♦ the ability to participate in any of the Group's bonus schemes applicable to the Managing Director & CEO;
- ♦ an initial fixed term of five years from 22 February 2018. Following the expiration of the initial term, the Managing Director & CEO's employment will continue on the terms of his executive services agreement on an ongoing basis unless terminated by either party in accordance with the agreement;
- ♦ at any time after the fixed initial term of five years, a right for either DAU or the Managing Director & CEO to terminate the Managing Director & CEO's employment by giving three months' written notice;
- ♦ a right for DAU to terminate the Managing Director & CEO's employment without notice consistent with market practice for a contract of this nature; and
- ♦ six weeks annual leave per year as well as other customary leave entitlements.

In addition to the above, a restraint deed arrangement was entered into by the Company with the Managing Director & CEO in February 2018 (when the Company was private and unlisted), under which the Managing Director & CEO has given a number of post-employment covenants for the protection of the Group's business. In consideration of the provision of these covenants, a sum of \$5,000,000 was paid to the Managing Director & CEO.

### GROUP CHIEF FINANCIAL OFFICER

A controlled entity of the Company, Dixon Advisory Group Pty Limited (DAG) has entered into a contract of employment with Tristan O'Connell to govern his employment with the Group as Chief Financial Officer (CFO). Key provisions of the contract of employment are as follows:

- ♦ total salary compensation of \$295,000 per annum (plus superannuation entitlements);
- ♦ the ability to participate in DAG's bonus schemes applicable to the CFO;
- ♦ at any time, a right for either DAG or the CFO to terminate the CFO's employment by giving six months' written notice;
- ♦ a right for DAG to terminate the CFO's employment immediately without notice in customary circumstances for a contract of this nature;
- ♦ non-compete and non-solicitation restraints as consistent with market practice for a contract of this nature; and
- ♦ four weeks annual leave per annum as well as other customary leave entitlements.

## Directors' Report: Remuneration Report (cont.)

### GROUP CHIEF OPERATING OFFICER

A controlled entity of the Company (DAG) has entered into a contract of employment with Parrish Davis to govern her employment with the Group as Chief Operating Officer (COO). Key provisions of the contract of employment are as follows:

- ♦ total salary compensation of \$250,000 per annum (plus superannuation entitlements);
- ♦ the ability to participate in DAG's bonus schemes applicable to the COO;
- ♦ at any time, a right for either DAG or the COO to terminate the COO's employment by giving six months' written notice;
- ♦ a right for DAG to terminate the COO's employment immediately without notice in customary circumstances for a contract of this nature;
- ♦ non-compete and non-solicitation restraints as consistent with market practice for a contract of this nature; and
- ♦ four weeks annual leave per annum as well as other customary leave entitlements.

### OTHER EXECUTIVE KMP (PRE 23 MARCH 2018)

In addition to the above, standard contracts of employment exist for Executive KMP during the year who no longer meet the definition of KMP after 23 March 2018 (Christopher Brown, Paul Ryan and Patrick Broughton). These contracts generally include the following terms:

- ♦ total salary commensurate with their respective roles (plus superannuation entitlements);
- ♦ the ability to participate in any of the Group's bonus schemes as applicable;
- ♦ at any time, a right for either the employer or the individual to terminate the individual's employment by giving written notice (of varying lengths between four weeks and six months depending on the individual);
- ♦ a right for the employer to terminate the individual's employment immediately without notice in customary circumstances;
- ♦ non-compete and non-solicitation restraints consistent with market practice for a contract of this nature; and
- ♦ four weeks annual leave per annum as well as other customary leave entitlements.

### KMP EQUITY HOLDINGS

The following table sets out each continuing KMP's interest in shares in the Company as at the date of this report:

	Balance at 14 May 2018 (date of listing)	Shares acquired during the period since 14 May 2018	Balance at date of this report
David Evans	14,716,543	-	14,716,543
Alan Dixon	41,322,625	-	41,322,625
Sally Herman	170,276	-	170,276
Josephine Linden	-	-	-
David Crawford AO	532,064	-	532,064
Tristan O'Connell	4,581,375	-	4,581,375
Parrish Davis	1,396,503	-	1,396,503

## Directors' Report: Remuneration Report (*cont.*)

### OTHER TRANSACTIONS WITH KMP

All transactions with KMP and KMP-related entities are conducted on arm's-length commercial or employment terms.

The Company sublets part of the building leased at Mayfair Building, 171 Collins Street, Melbourne to a company of which David Evans is a Director. The total amount charged for the year was \$56,000 plus GST. Amounts charged are based on normal market rates for the given space and location and are receivable on a monthly basis.

During the financial year, KMP were charged for various services including international equities managed discretionary account services and brokerage totalling \$229,040.

# Auditor's independence declaration

**Deloitte.**

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

27 August 2018

Dear Board Members

**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 audit of the financial statements of Evans Dixon Limited for the financial year ended 30 June 2018, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation  
Member of Deloitte Touche Tohmatsu Limited





# FINANCIAL REPORT



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# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Revenue</b>			
Provision of services	5	294,894,881	217,708,404
Interest received		519,592	274,881
Share of profits of jointly controlled entities		5,069,331	1,152,985
Other income		5,873,115	3,191,973
<b>Total revenue</b>		<b>306,356,919</b>	<b>222,328,243</b>
<b>Expenses</b>			
Property design, renovation and maintenance expense	6	(61,160,831)	(51,227,315)
Employee benefits expense	6	(143,778,329)	(89,650,014)
Administrative expense		(12,120,204)	(10,607,592)
Occupancy expense		(9,001,706)	(7,176,049)
Advertising expense		(3,714,070)	(3,649,167)
Depreciation and amortisation expense	6	(7,377,948)	(4,264,964)
Information technology expense		(8,597,141)	(4,667,984)
Travel and accommodation expense		(2,194,620)	(1,861,857)
Finance costs	7	(4,219,244)	(3,925,888)
Other expenses	6	(25,261,562)	(16,809,050)
Business acquisition expenses		-	(2,143,154)
IPO related expenses		(1,342,677)	-
<b>Total expenses</b>		<b>(278,768,332)</b>	<b>(195,983,034)</b>
<b>Profit before income tax expense</b>		<b>27,588,587</b>	<b>26,345,209</b>
Income tax expense	9	(8,318,250)	(8,612,661)
<b>Profit for the year</b>		<b>19,270,337</b>	<b>17,732,548</b>
<b>Other comprehensive income / (loss), net of income tax</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		464,133	(573,505)
Effective portion of changes in fair value of cash flow hedge		425,064	510,198
Other comprehensive income / (loss) for the year, net of income tax		889,197	(63,307)
<b>Total comprehensive income for the year</b>		<b>20,159,534</b>	<b>17,669,241</b>
<b>Earnings per share</b>			
Basic (cents per share)	10	11.5	14.2
Diluted (cents per share)	10	11.5	14.2

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

# Consolidated statement of financial position

As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	89,146,849	33,543,081
Trade and other receivables	13	30,020,569	19,962,549
Inventories	14	138,845	177,704
Prepayments		1,279,862	1,691,806
<b>Total current assets</b>		<b>120,586,125</b>	<b>55,375,140</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	15	6,700,751	5,798,507
Financial assets	16	902,958	882,983
Property, plant and equipment	19	19,563,904	17,152,442
Goodwill and other indefinite life intangible assets	20	94,944,513	94,944,513
Finite life intangible assets	21	22,976,251	13,990,594
Investment property	22	1,588,550	1,588,550
Trade and other receivables	13	166,667	-
Current tax assets	9	516,354	-
Deposits		3,046,950	2,286,230
Prepayments		752,744	-
<b>Total non-current assets</b>		<b>151,159,642</b>	<b>136,643,819</b>
<b>Total assets</b>		<b>271,745,767</b>	<b>192,018,959</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	17,362,116	13,183,560
Borrowings	24	-	5,326,480
Current tax liabilities	9	-	689,044
Deferred revenue	25	14,716,360	12,124,384
Provisions	26	25,064,340	25,233,868
Other current liabilities	27	500,054	502,118
Derivative financial liability		-	285,523
<b>Total current liabilities</b>		<b>57,642,870</b>	<b>57,344,977</b>
<b>Non-current liabilities</b>			
Borrowings	24	-	61,288,384
Provisions	26	2,751,222	2,241,435
Other non-current liabilities	27	5,439,096	5,559,772
Derivative financial liability		-	139,541
Deferred tax liabilities	9	4,260,211	6,372,013
<b>Total non-current liabilities</b>		<b>12,450,529</b>	<b>75,601,145</b>
<b>Total liabilities</b>		<b>70,093,399</b>	<b>132,946,122</b>
<b>Net assets</b>		<b>201,652,368</b>	<b>59,072,837</b>
<b>Equity</b>			
Issued capital	28	298,969,999	162,709,500
Reorganisation reserve	29	(135,098,583)	(135,098,583)
Cash flow hedge reserve	30	-	(425,064)
Foreign currency translation reserve	31	2,924,112	2,459,979
Retained profits	32	34,856,840	29,427,005
<b>Total equity</b>		<b>201,652,368</b>	<b>59,072,837</b>

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 2018

	Issued capital \$	Reorganisation reserve \$	Cash flow hedge reserve \$	Foreign currency translation reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2016	62,209,500	(135,098,583)	(935,262)	3,033,484	11,694,457	(59,096,404)
Profit after income tax expense for the year	-	-	-	-	17,732,548	17,732,548
Other comprehensive income / (loss) for the year, net of tax	-	-	510,198	(573,505)	-	(63,307)
Total comprehensive income/(loss) for the year	-	-	510,198	(573,505)	-	(63,307)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	100,500,000	-	-	-	-	100,500,000
<b>Balance at 30 June 2017</b>	<b>162,709,500</b>	<b>(135,098,583)</b>	<b>(425,064)</b>	<b>2,459,979</b>	<b>29,427,005</b>	<b>59,072,837</b>
Balance at 1 July 2017	162,709,500	(135,098,583)	(425,064)	2,459,979	29,427,005	59,072,837
Profit after income tax expense for the year	-	-	-	-	19,270,337	19,270,337
Other comprehensive income / (loss) for the year, net of tax	-	-	425,064	464,133	-	889,197
Total comprehensive income/(loss) for the year	-	-	425,064	464,133	-	889,197
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	135,440,000	-	-	-	-	135,440,000
Dividends paid	-	-	-	-	(13,840,502)	(13,840,502)
Other transactions with shareholders	820,499	-	-	-	-	820,499
<b>Balance at 30 June 2018</b>	<b>298,969,999</b>	<b>(135,098,583)</b>	<b>-</b>	<b>2,924,112</b>	<b>34,856,840</b>	<b>201,652,368</b>

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 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		310,761,231	227,995,320
Payments to suppliers and employees		(281,060,313)	(191,327,661)
IPO expenses paid		(1,342,677)	-
Interest received		519,592	305,690
Interest paid		(2,868,566)	(3,574,398)
Income and other taxes paid		(11,635,451)	(12,034,637)
<b>Net cash generated by operating activities</b>	38	<b>14,373,816</b>	<b>21,364,314</b>
<b>Cash flows from investing activities</b>			
Cash acquired on purchase of subsidiaries		-	13,166,556
Payments for investments in jointly controlled entities		(486,919)	(1,855,134)
Purchase of property, plant and equipment		(5,292,153)	(3,470,760)
Proceeds from sale of property, plant and equipment		22,187	8,323
Purchase of intangible assets		(2,315,263)	(1,532,411)
Restraint payments made		(10,000,000)	-
Proceeds from sale of financial assets		-	2,361,233
Purchase of financial assets		(18,168)	-
Dividends received from associate entities		4,750,985	175,000
<b>Net cash (used in) / generated by investing activities</b>		<b>(13,339,331)</b>	<b>8,852,807</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		10,000,000	-
Repayment of borrowings		(78,000,000)	(13,000,000)
Dividends paid		(13,840,502)	-
Issue of share capital		136,260,499	500,000
<b>Net cash generated by / (used in) financing activities</b>		<b>54,419,997</b>	<b>(12,500,000)</b>
Net increase in cash and cash equivalents		55,454,482	17,717,121
Cash and cash equivalents at the beginning of the financial year		33,543,081	15,927,975
Effect of exchange rate fluctuations on cash held		149,286	(102,015)
<b>Cash and cash equivalents at the end of the financial year</b>	12	<b>89,146,849</b>	<b>33,543,081</b>

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

# Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

Evans Dixon Limited (the Company) is a limited company incorporated in Australia. The address of its registered office and principal place of business are disclosed in the Corporate Directory at the end of this annual report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' Report.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### FINANCIAL REPORTING FRAMEWORK

This Financial Report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The Financial Report comprises the consolidated financial statements of the Group, comprising the Company, Evans Dixon Limited, and its controlled entities. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements were authorised by the directors for issue on 27 August 2018.

### COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

### BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ♦ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ♦ Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ♦ Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies of the Group are set out below.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- ♦ Has power over the investee;
- ♦ Is exposed, or has rights, to variable returns from its involvement with the investee; and
- ♦ Has the ability to use its power to affect its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.



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

### BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- ♦ Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- ♦ Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payments' at the acquisition date;
- ♦ Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see “Business combinations” above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### FOREIGN CURRENCY

#### (i) Translation of foreign currency translations

The functional and presentation currency of the Group is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are translated at the rate of exchange ruling at the Statement of Financial Position date.

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise. Differences arising on a monetary item forming part of the net investment in a foreign operation are taken to the foreign currency translation reserve on consolidation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### (ii) Translation of financial reports of foreign operations

The functional currency of some of the Company's subsidiaries is US dollars. As at the reporting date, the assets and liabilities of those entities are translated into Australian dollars at the rate of exchange ruling at the Statement of Financial Position date, and the Statement of Profit or Loss and Other Comprehensive Income is translated at the average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

## INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any

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

impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When the Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. The assets; residual values and useful lives are reviewed and adjusted if required at each balance date with the effect of any changes in estimate accounted for on a prospective basis.

#### (i) Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

#### (ii) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on either a straight line basis or diminishing value over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are generally:

Furniture & equipment	2% - 25%
Motor vehicles	19% - 25%
Computer equipment	25% - 40%
Leasehold improvements	14% - 20%

The assets' residual values and useful lives are reviewed and adjusted if required at each balance date, with the effect of any changes in estimate accounted for on a prospective basis.

### INTANGIBLE ASSETS

#### (i) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

### (ii) Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- ♦ the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ♦ the intention to complete the intangible asset and use or sell it;
- ♦ the ability to use or sell the intangible asset;
- ♦ how the intangible asset will generate probable future economic benefits;
- ♦ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- ♦ the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortisation rate used for internally-generated intangible assets is:

Computer software	25%
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### (iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### (iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## IMPAIRMENT OF ASSETS

The Directors of the Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss.

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

Goodwill and other assets that have an indefinite useful life (eg. brands) are not amortised but are tested annually for impairment in accordance with AASB 136 'Impairment of Assets'. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may be impaired.

For the purposes of impairment, assets are grouped at the lowest levels for which these are separately identifiable cash flows (cash generating units).

### INVESTMENT PROPERTY

Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses, arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

### FINANCIAL INSTRUMENTS

#### (i) Non-derivative financial assets

All financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents and financial assets at fair value through profit or loss (FVTPL).

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity investments held by the Group are classified as FVTPL. The carrying cost is considered to materially represent fair value when no evidence is available to support a material change in the value of an unlisted investment.



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

### (ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables, and borrowings.

Trade and other payables are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

Borrowings and loans are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### (iii) Derivative financial instruments

The Group enters into derivative financial instruments in the form of interest rate swap agreements, which are used to convert the variable interest rate of its borrowings to fixed interest rates. For the purposes of hedge accounting, these hedges are cash flow hedges. The swaps are entered into with the objective of reducing the risk associated with interest rate fluctuations. Derivative financial instruments are stated at fair value.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any inefficient portion is considered a finance cost and is recognised in profit or loss in the statement of profit or loss and other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income and presented in the cash flow hedge reserve in equity remains there until the forecast transaction affects profit or loss, at which point it is transferred to profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold or terminated, then hedge accounting is discontinued prospectively. The Group manages its financial derivatives (interest rate swaps) to ensure they meet the requirements of a cash flow hedge.



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

### EMPLOYEE BENEFITS

#### SHORT-TERM AND LONG-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

### EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Group's profit after income tax adjusted by profit attributable to all the dilutive potential ordinary shares by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

### TAXATION

On 1 February 2017, Evans and Partners Pty Limited (and its consolidated entities) joined the Evans Dixon Limited tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that the Company's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

#### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made

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

for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

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

### (iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 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 recognised at the point in time 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 & investment management advisory and SMSF accounting and tax services where revenue is recognised on a straight-line basis over the time the services are performed as per the contractual terms with the customer;
- ♦ **Corporate revenue** includes debt and equity capital raising services and structuring and arranging services in relation to IPOs and secondary raisings where revenue is recognised at the point in time the shares associated with the raisings are allotted or the debt arrangement is finalised, as well as institutional brokerage commissions, where revenue is recognised at the point in time the 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 in accordance with the contractual terms with the customer. Also included within this category is asset management services where revenue is recognised at the point in time

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

the purchase price is settled (in respect of asset acquisition fees) and when sale proceeds are receipted (in respect of asset disposal fees). Additionally, performance services revenue is recognised when it is reliably measurable (when there is a high probability of no significant reversal), generally being when capital plus minimum hurdle has been returned to underlying investors; 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 provided.

Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

### GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

#### AMENDMENTS TO ACCOUNTING STANDARDS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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 its operations and effective for an accounting period that begins on or after 1 July 2017. The adoption of these standards did not have any material impact on the financial statements.

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

### ACCOUNTING STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but not yet effective, and are relevant to its operations:

Standard / interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15', and AASB 2016-3 'Amendments to Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
Interpretation 23: 'Uncertainty Over Income Tax Treatments' AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

### AASB 9 FINANCIAL INSTRUMENTS

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for recognition, and in December 2013 to include the new requirements for general hedge accounting. A further revised version of AASB 9 was issued in December 2014 mainly to include: (a) impairment requirements for financial assets (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

AASB 9 applies for the Group in the financial year commencing 1 July 2018. The directors of the Company do not anticipate that the application of AASB 9 will have a material impact on amounts reported in respect of the Group's financial assets and liabilities. The only likely impact will be moving from an incurred loss model to an expected loss model in respect of financial assets (principally its trade receivables) however management do not expect the increase in impairment provisions will be material. Furthermore, more extensive disclosures are required by AASB 9.

### AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises revenue from the following major sources:

- ♦ Advisory, administration and brokerage
- ♦ Corporate revenue
- ♦ Funds management
- ♦ Project service fees

As detailed under the 'Revenue recognition' accounting policy, revenue is recognised when the performance obligations have been satisfied and the goods and services underlying the particular performance obligation is transferred to the customer. The identification of separate delivery components, timing of meeting performance obligations and the recognition of revenue under AASB 15 is considered to be consistent with the Group's present recognition under AASB 118 'Revenue', and therefore the directors do not expect any material financial impact from adoption of this new standard commencing 1 July 2018. Extensive disclosures will however be required by AASB 15.

### AASB 16 LEASES

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 'Leases' and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases or leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by AASB 16.



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

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for the operating leases of its premises. In addition, the nature of the expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review. As at the end of the reporting period, the Group has non-cancellable operating lease commitments of \$70,527,266 as disclosed in Note 34.

The directors have yet to fully assess the impact of other standards that are not effective that apply in respect of financial year ending on or after 30 June 2019, but do not anticipate that the impact will be material to its financial statements.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values 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.

Accounting policies which are subject to significant accounting estimates and judgements include:

- ♦ allocation of goodwill and other intangible assets to cash generating units (CGU's);
- ♦ impairment assessments of goodwill and other indefinite life intangible assets (refer (i) below);
- ♦ fair value assessments including investment properties, equity investments and equity settled transactions;
- ♦ recognition and useful life assessments of property, plant and equipment and other finite life intangible assets, including customer relationships and restraint covenants (refer (iii) below);
- ♦ impairment assessments of trade receivables and deferred tax assets recognised;
- ♦ estimates inherent in employee entitlements and other provision calculations including bonuses; and
- ♦ meeting recognition criteria of revenue, including performance service fees and corporate transaction fees (refer (ii) below).



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

### (i) Goodwill and other intangible assets impairment assessments

The Group tests annually, or more frequently if events or changes in circumstances indicate that goodwill or other indefinite life intangible assets (with a total carrying value of \$94,944,513 at balance date), have suffered any impairment in accordance with the accounting policy stated in Note 2. Impairment assessments include significant judgements and estimates applied in determining inputs in the impairment models, including future cash flows, discount rates and growth rates (refer Note 20).

Software, customer relationships, and restraint payment assets (with a total carrying value \$22,976,251 at balance date), are finite intangible assets that are amortised over their expected lives. Assets subject to amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. Judgements and estimates are inherent in impairment assessments which are based on inputs including future cash flows, discount rates and growth rates. Judgement is also applied in determining the useful lives of these assets (refer Note 21).

### (ii) Revenue recognition

Performance fee arrangements involve the Group assessing the performance of relevant managed assets against specified performance hurdles. The fee calculations involve complex formulae and judgement is applied in determining when the fee recognition criteria are met.

Corporate transaction fee arrangements involve individually significant transactions where judgement is applied in determining the Group's entitlement to the fees and the correct timing of recognition.

### (iii) Restraint payments

The Group has recognised intangible assets of \$10,000,000 in relation to Restraint Deed arrangements concluded with two of the Group's executive directors.

Judgement is involved in the recognition of the Restraint covenant payment amounts as intangible assets, and the determination of an appropriate amortisation policy. Refer Note 21.

## 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 Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Board of Directors (CODM) for the purposes of resource allocation and assessment of performance is 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 as follows:

- ♦ Wealth Advice
- ♦ Capital Markets
- ♦ Funds Management

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

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.

Capital Markets relates to the provision of stockbroking and investment advisory services to institutional clients and advice to corporations on 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.

In the comparatives for the year ended 30 June 2017, prior to the merger with Evans and Partners in February 2017, the Group did not operate a separately identified Capital Markets business, with capital market activity being absorbed within the overall Wealth Advice business segment. The Capital Markets segment as a separately identified and assessed business segment evolved post the merger with Evans and Partners who itself operated a broader capital markets business. Accordingly, the directors consider it to be impractical to separately extract comparative Capital Markets segment information for the comparative period prior to February 2017, and therefore the comparative period disclosures include capital market activities within the Wealth Advice segment where they resided during this period.

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 consolidated financial statements (cont.)

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

	Wealth Advice \$	Capital Markets \$	Funds Management \$	Corporate Unallocated \$	Total \$
<b>Year ended 30 June 2018*</b>					
<b>Revenue</b>					
Provision of services	99,161,968	49,426,858	146,306,055	-	294,894,881
Share of profits of associates and jointly controlled entities	67,468	-	5,001,863	-	5,069,331
Other income	1,326,895	1,323	4,544,897	-	5,873,115
<b>Total revenue</b>	<b>100,556,331</b>	<b>49,428,181</b>	<b>155,852,815</b>	<b>-</b>	<b>305,837,327</b>
<b>Direct expenses</b>					
Total direct expenses	(61,220,242)	(21,885,315)	(115,857,846)	-	(198,963,403)
<b>Overhead expenses</b>					
Total overhead expenses	(13,601,105)	(3,730,545)	(9,551,805)	-	(26,883,455)
<b>Allocated staff expenses</b>					
Total allocated staff expenses	(4,258,056)	(4,059,448)	(3,067,342)	-	(11,384,846)
<b>Unallocated group staff expenses</b>					
Total unallocated group staff expenses	-	-	-	(17,969,268)	(17,969,268)
<b>Unallocated group other expenses</b>					
Total unallocated group other expenses	-	-	-	(11,970,168)	(11,970,168)
<b>Earnings before interest, taxation, depreciation and amortisation</b>	<b>21,476,928</b>	<b>19,752,873</b>	<b>27,375,822</b>	<b>(29,939,436)</b>	<b>38,666,187</b>
Depreciation and amortisation expenses	-	-	-	(7,377,948)	(7,377,948)
<b>Earnings before interest and taxation</b>	<b>21,476,928</b>	<b>19,752,873</b>	<b>27,375,822</b>	<b>(37,317,384)</b>	<b>31,288,239</b>
Interest revenue	-	-	-	519,592	519,592
Finance costs	-	-	-	(4,219,244)	(4,219,244)
<b>Profit before taxation</b>	<b>21,476,928</b>	<b>19,752,873</b>	<b>27,375,822</b>	<b>(41,017,036)</b>	<b>27,588,587</b>
Income tax expense	(6,475,520)	(5,955,698)	(8,254,100)	12,367,068	(8,318,250)
<b>Net profit after taxation</b>	<b>15,001,408</b>	<b>13,797,175</b>	<b>19,121,722</b>	<b>(28,649,968)</b>	<b>19,270,337</b>

\* Effective post 30 June 2018, while retaining the same segments as identified above, management has changed the format of presentation of revenue and results for each segment to the CODM. There will be no material impact on the net profit of each operating segment as a result of these changes which will be reflected in the segment reporting format from FY19 onwards.

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

	Wealth Advice \$	Capital Markets \$	Funds Management \$	Corporate Unallocated \$	Total \$
<b>Year ended 30 June 2017*</b>					
<b>Revenue</b>					
Provision of services	69,643,948	10,711,486	137,352,970	-	217,708,404
Share of profits of associates and jointly controlled entities	-	-	1,152,985	-	1,152,985
Other income	18,866	3,112	3,169,995	-	3,191,973
<b>Total revenue</b>	<b>69,662,814</b>	<b>10,714,598</b>	<b>141,675,950</b>	<b>-</b>	<b>222,053,362</b>
<b>Direct expenses</b>					
Total direct expenses	(38,758,488)	(5,546,586)	(99,663,079)	-	(143,968,153)
<b>Overhead expenses</b>					
Total overhead expenses	(10,786,934)	(672,306)	(8,587,529)	-	(20,046,769)
<b>Allocated staff expenses</b>					
Total allocated staff expenses	(2,845,631)	(1,496,717)	(2,715,694)	-	(7,058,042)
<b>Unallocated group staff expenses</b>					
Total unallocated group staff expenses	-	-	-	(14,576,064)	(14,576,064)
<b>Unallocated group other expenses</b>					
Total unallocated group other expenses	-	-	-	(2,143,154)	(2,143,154)
<b>Earnings before interest, taxation, depreciation and amortisation</b>	<b>17,271,761</b>	<b>2,998,989</b>	<b>30,709,648</b>	<b>(16,719,218)</b>	<b>34,261,180</b>
Depreciation and amortisation expenses	-	-	-	(4,264,964)	(4,264,964)
<b>Earnings before interest and taxation</b>	<b>17,271,761</b>	<b>2,998,989</b>	<b>30,709,648</b>	<b>(20,984,182)</b>	<b>29,996,216</b>
Interest revenue	-	-	-	274,881	274,881
Finance costs	-	-	-	(3,925,888)	(3,925,888)
<b>Profit before taxation</b>	<b>17,271,761</b>	<b>2,998,989</b>	<b>30,709,648</b>	<b>(24,635,189)</b>	<b>26,345,209</b>
Income tax expense	(5,561,201)	(509,855)	(9,182,755)	6,641,150	(8,612,661)
<b>Net profit after taxation</b>	<b>11,710,560</b>	<b>2,489,134</b>	<b>21,526,893</b>	<b>(17,994,039)</b>	<b>17,732,548</b>

Group assets and liabilities are not allocated across segments for the purposes of reporting to the CODM.

\* The first seven months of the comparative 2017 financial year presented above are prior to the acquisition of Evans and Partners Pty Limited on 1 February 2017 and hence are not representative of how the Group's Board of Directors (CODM) allocated resources and assessed the performance of the Group's operating segments for the whole year ended 30 June 2017. The concept of a Capital Markets operating segment came into being after the acquisition of Evans and Partners Pty Limited on 1 February 2017, and hence the comparative contains a Capital Markets operating segment for the final five months of the year only.

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

The Group operates in two principal geographic areas – Australia (country of domicile) and the United States of America.

The Group's revenue from external customers and non-current assets by location of operations is detailed below.

	2018 \$	2017 \$
<b>Revenue from external customers (provision of services revenue)</b>		
Australia	194,257,003	126,849,813
United States of America	100,637,878	90,858,591
	<b>294,894,881</b>	<b>217,708,404</b>
<b>Non-current assets</b>		
Australia	138,530,821	124,943,593
United States of America	12,628,821	11,700,226
	<b>151,159,642</b>	<b>136,643,819</b>

## 5. REVENUE

	2018 \$	2017 \$
<b>Provision of services revenue</b>		
Advisory, administration and brokerage	133,875,539	88,363,046
Corporate revenue	11,735,164	2,371,420
Funds management	66,928,829	55,572,714
Project service fees	82,355,349	71,401,224
	<b>294,894,881</b>	<b>217,708,404</b>

## 6. EXPENSES

	2018 \$	2017 \$
<b>Profit before income tax includes the following specific expenses</b>		
<b>Property design, renovation and maintenance expense</b>		
Job sub-contract and materials expense	(61,160,831)	(51,227,315)
<b>Depreciation and amortisation</b>		
Depreciation – property, plant and equipment	(4,048,186)	(2,542,579)
Amortisation – computer software	(1,763,095)	(1,361,274)
Amortisation – restraint covenants	(700,000)	-
Amortisation – customer relationships	(866,667)	(361,111)
	<b>(7,377,948)</b>	<b>(4,264,964)</b>
<b>Employee benefits expense</b>		
Post employment benefits	(4,833,959)	(3,941,389)
Employer related taxes	(9,090,276)	(6,883,220)
Equity settled employee benefit expense*	(5,440,000)	-
Salaries and other employee benefits	(124,414,094)	(78,825,405)
	<b>(143,778,329)</b>	<b>(89,650,014)</b>

\*Represents settlement of the post-tax component of an integration bonus arrangement with the Executive Chairman and Managing Director & CEO through the issue of 4,000,000 shares, which was considered to represent the fair value of the securities at grant date. Fair value was determined using the capitalisation of maintainable earnings approach with consideration given to marketability and minority discounts, with a crosscheck performed against arms' length share trades at or around the grant date.

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

### Other expenses

Other expenses included in the statement of financial performance totalling \$25,261,562 (2017: \$16,809,050) primarily comprise external commissions, direct fund costs, seminar and venue hire costs, client rebates and portfolio administration costs.

## 7. FINANCE EXPENSE

Recognised directly in profit or loss:

	2018 \$	2017 \$
Interest expense on financial liabilities measured at amortised cost	2,336,909	3,177,486
Cash flow hedge periodic settlements	272,027	360,283
Loss on cash flow hedge at termination of swaps	166,276	-
Other finance costs - including facility line fees and amortisation of loan establishment costs	1,444,032	388,119
Finance expense recognised directly in profit or loss	<b>4,219,244</b>	<b>3,925,888</b>

## 8. REMUNERATION OF AUDITOR

The auditor of the Evans Dixon Limited Group is Deloitte Touche Tohmatsu. During the financial year, a subsidiary of the Group changed auditors from Pitcher Partners to Deloitte Touche Tohmatsu. The following fees were paid or are payable for services provided by Deloitte Touche Tohmatsu and Pitcher Partners:

	2018 \$	2017 \$
<b>Deloitte Touche Tohmatsu</b>		
Audit services: Audit of the Group's annual financial statements	190,000	155,000
Audit of the Group subsidiaries' annual financial statements	117,000	49,000
Review services: Review of the Group's half-year financial statements	105,000	-
Other services: Acting as Investigating Accountant for capital raising and listing of Evans Dixon Group	210,000	-
Acting as Investigating Accountant for capital raisings and listings of funds managed by Evans Dixon Group	512,400	133,730
Taxation services	73,850	178,746
Evans & Partners acquisition due diligence fee	-	157,000
Other	65,000	54,403
<b>Deloitte Tax LLP</b>		
Other services: Taxation services	124,578	130,109
<b>Other audit practices – Pitcher Partners</b>		
Audit services: Audit of the Group subsidiary's financial statements	-	54,350
Review services: Review of the Group subsidiary's half-year financial statements	40,000	-
Other services: Other regulatory audit and assurance services	-	10,000
	<b>1,437,828</b>	<b>922,338</b>

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

### 9. INCOME TAX

	2018 \$	2017 \$
<b>Income tax recognised in profit or loss</b>		
<b>Current tax</b>		
In respect of the current year	10,331,387	8,995,043
In respect of prior years	98,665	(40,290)
	<b>10,430,052</b>	<b>8,954,753</b>
<b>Deferred tax</b>		
In respect of the current year	(2,111,802)	(342,092)
<b>Total income tax expense recognised in the current year</b>	<b>8,318,250</b>	<b>8,612,661</b>
<b>The income tax expense for the year can be reconciled to the accounting profit as follows:</b>		
Profit before income tax expense	27,588,587	26,345,209
Income tax expense at 30% (2017: 30%)	8,276,576	7,903,562
Effect of income that is exempt from taxation	(1,135,804)	3,162
Effect of expenses that are not deductible in determining taxable profit	1,875,186	311,328
Effect of different tax rates of subsidiaries operating in other jurisdiction	(435,692)	435,529
Effect on deferred tax balances due to the change in USA jurisdiction's income tax rate from 34% to 21% effective 22nd December 2017	(360,681)	-
	<b>8,219,585</b>	<b>8,653,581</b>
Adjustments recognised in the current period in relation to the current tax of prior periods	98,665	(40,920)
<b>Total income tax expense recognised in profit or loss</b>	<b>8,318,250</b>	<b>8,612,661</b>
<b>Current tax assets / (liabilities)</b>		
Income tax receivable / (payable)	516,354	(689,044)

#### Deferred tax balances

The following is the analysis of deferred tax assets / (liabilities) presented in the consolidated statement of financial information

	2018 \$	2017 \$
Deferred tax assets	9,304,051	8,015,509
Deferred tax liabilities	(13,564,262)	(14,387,522)
	<b>(4,260,211)</b>	<b>(6,372,013)</b>



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

### Deferred tax assets / (liabilities) in relation to:

	Opening balance	Recognised in profit or loss	Closing balance
<b>2018</b>			
Property, plant and equipment	(1,141,092)	584,915	(556,177)
Intangible assets	(12,491,666)	259,999	(12,231,667)
Provisions, prepayments, accruals, receivables	4,937,258	2,048,343	6,985,601
Provision for lease incentives	1,420,260	(94,623)	1,325,637
Deferred / (accrued) revenue	1,028,177	(1,250,240)	(222,063)
Available for sale financial assets	(452,536)	61,594	(390,942)
Other	327,586	501,814	829,400
<b>Deferred tax liabilities</b>	<b>(6,372,013)</b>	<b>2,111,802</b>	<b>(4,260,211)</b>
<b>2017</b>			
Property, plant and equipment	(1,031,533)	(109,559)	(1,141,092)
Intangible assets	-	(12,491,666)	(12,491,666)
Provisions, prepayments, accruals, receivables	3,072,512	1,864,746	4,937,258
Provision for lease incentives	(708,449)	2,128,709	1,420,260
Deferred / (accrued) revenue	846,057	182,120	1,028,177
Available for sale financial assets	(404,888)	(47,648)	(452,536)
Other	193,486	134,100	327,586
<b>Deferred tax assets / (liabilities)</b>	<b>1,967,185</b>	<b>(8,339,198)</b>	<b>(6,372,013)</b>

## 10. EARNINGS PER SHARE

	2018 No.	2017 No.
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares during the year used to calculate basic earnings per share	167,206,538	124,546,435

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2018 \$	2017 \$
<b>Profit attributable to ordinary shareholders</b>		
Profit attributable to ordinary shareholders	19,270,337	17,732,548
Basic earnings per share (dollars)	0.115	0.142
Earnings used in the calculation of basic earnings per share	19,270,337	17,732,548

Diluted earnings per share is the same as basic earnings per share as there are no dilutive shares on issue.

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

### 11. DIVIDENDS

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

	2018		2017	
	Cents per share	Total \$	Cents per share	Total \$
<b>Fully paid ordinary shares</b>				
Pre-IPO dividend	2.0 cents	3,135,517	-	-
Interim dividend	5.0 cents	10,704,985	-	-
		<b>13,840,502</b>		<b>-</b>

The franking account balance as at 30 June 2018 was \$22,053,867 (2017: \$15,015,587).

The Board has subsequently declared a fully franked final dividend of 6.0 cents per share (\$12,845,981) that is expected to be paid on 10 October 2018.

### 12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash on hand	4,467	5,860
Cash at bank	89,142,382	33,537,221
	<b>89,146,849</b>	<b>33,543,081</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Average interest rates during the period were 0.8143% (2017: 0.8063%)

### 13. CURRENT AND NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
<b>Current</b>		
Trade receivables	25,707,798	19,129,772
Allowance for doubtful debts	(8,130)	(4,662)
Other receivables and accrued revenue	4,207,412	837,439
Other related party receivables	113,489	-
	<b>30,020,569</b>	<b>19,962,549</b>
<b>Non-Current</b>		
Other receivables	166,667	-

#### TRADE RECEIVABLES

The average credit period on sales is 30 days. No interest is charged on trade receivables. The Group recognises an allowance for doubtful debts where it is considered highly likely that the debt will not be recovered with reference to the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. In addition, overdue debtor balances totalling \$612,447 relate to amounts for which the associated revenue has been deferred and is recorded as a current liability in the current year.

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

### AGE OF TRADE RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	2018 \$	2017 \$
31-60 days	181,763	157,430
61-120 days	582,782	198,846
121 days +	330,956	39,496
<b>Total</b>	<b>1,095,501</b>	<b>395,772</b>

### MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS

	2018 \$	2017 \$
Balance at beginning of the year	(4,662)	(6,333)
Impairment losses recognised on receivables	(3,468)	-
Amounts written off during the year as uncollectible	-	1,671
<b>Balance at end of the year</b>	<b>(8,130)</b>	<b>(4,662)</b>

## 14. CURRENT ASSETS – INVENTORIES

	2018 \$	2017 \$
Appliances and building materials - at cost	138,845	177,704

## 15. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2018 \$	2017 \$
Investments in associates	2,464,063	2,343,425
Investments in jointly controlled entities	4,236,688	3,455,082
	<b>6,700,751</b>	<b>5,798,507</b>

### Reconciliation of movement in investments accounted for using the equity method

Balance at the beginning of the year	5,798,507	2,840,042
Share of profits of associates and jointly controlled entities	5,069,331	1,152,985
Acquisition of investments in associates and jointly controlled entities	486,919	1,855,134
Dividends received from associated entities	(4,750,985)	(175,000)
Foreign exchange impact of investments held which are denominated in foreign currency	96,979	125,346
<b>Balance at the end of the year</b>	<b>6,700,751</b>	<b>5,798,507</b>

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

### 16. NON-CURRENT ASSETS – FINANCIAL ASSETS

	2018 \$	2017 \$
<b>Available for sale financial assets</b>		
Shares in unlisted and listed corporations at fair value	902,958	882,983

Available for sale financial assets comprise of investments in the ordinary issued capital of various unlisted entities as well as listed financial securities.

### 17. ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

		Ownership interest	
	Principal place of business / Country of incorporation	2018 %	2017 %
Name			
<b>Associates of Evans Dixon Limited</b>			
Fort Street Real Estate Capital Pty Limited	Australia	50%	50%
Fort Street Real Estate Services Pty Limited	Australia	50%	50%
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%	-
US Select Direct Private Equity, GP LLC	USA	42.5%	42.5%
<b>Jointly controlled entities of Evans Dixon Limited</b>			
Laver Place Sub Pty Limited	Australia	33.3%	33.3%
Dixon Associates PE III Wholesale Fund*	USA	66.7%	66.7%
515 West 168th	USA	50%	50%
34th Astoria	USA	50%	50%
523 West 135th	USA	50%	-

*\*Despite the Group holding a majority interest 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 consolidated financial statements.

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

### 18. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Ultimate parent entity			
Evans Dixon Limited	Australia	100%	100%
Subsidiaries of ultimate parent entity			
Dixon Advisory Group Pty Limited	Australia	100%	100%
Dixon Advisory & Superannuation Services Limited	Australia	100%	100%
Dixon Private Investments Pty Limited	Australia	100%	100%
Dixon Advisory Property Pty Limited	Australia	100%	100%
Dixon Advisory Super Pty Limited	Australia	100%	100%
Dixon Advisory USA Inc	USA	100%	100%
Walsh & Company Investments Limited	Australia	100%	100%
Walsh & Company Asset Management Pty Limited	Australia	100%	100%
Walsh & Company Group Pty Limited	Australia	100%	100%
Dixon Projects LLC	USA	100%	100%
Dixon Asset Management USA Inc	USA	100%	100%
Walker Street Partners Pty Limited	Australia	100%	100%
DGP Inc	USA	100%	100%
US Select Private Opportunities Fund GP LLC	USA	100%	100%
Australian Fund Accounting Services Pty Limited	Australia	100%	100%
Walsh & Company Investment Services Pty Limited	Australia	100%	100%
Dixon International Investments Pty Limited	Australia	100%	100%
URF Investment Management Pty Limited	Australia	100%	100%
Dixon Realty Advisory LLC	USA	100%	100%
New Energy Solar Manager Pty Limited	Australia	100%	100%
Dixon Leasing Property Management LLC	USA	100%	100%
Dixon Realty Advisory New York LLC	USA	100%	100%
Evans and Partners Pty Ltd	Australia	100%	100%
EAP Employee Investments Pty Ltd	Australia	100%	100%
Evans and Partners Employee Share Trust*	Australia	-	-
Evans and Partners Investment Management Pty Limited	Australia	100%	-
NES Development Services Pty Limited	Australia	100%	-
NES Project Services LLC	USA	100%	-

\* Although the Group does not hold any ownership in Evans and Partners Employee Share Trust, those that control the Group control this entity to facilitate the operations of the Group. As such the entity is deemed to be de facto agent of the Group and is consolidated.

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

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

	2018 \$	2017 \$
<b>Carrying amounts of</b>		
Furniture and equipment	5,537,678	5,442,300
Motor vehicles	225,090	67,118
Computer equipment	1,478,956	1,465,536
Leasehold improvements	12,322,180	10,177,488
	<b>19,563,904</b>	<b>17,152,442</b>

	Furniture and equipment \$	Motor vehicles \$	Computer equipment \$	Leasehold improvements \$	Total \$
<b>Cost</b>					
Balance at 1 July 2016	6,455,233	739,444	1,823,105	9,671,133	18,688,915
Reclassification of assets	475,450	-	(475,450)	-	-
Acquisitions through business combinations	1,370,674	-	746,067	1,541,687	3,658,428
Additions	1,202,104	-	731,659	2,195,491	4,129,254
Disposals	(279,227)	(100,290)	(4,183)	-	(383,700)
Effect of foreign currency exchange differences	(138,665)	(14,611)	(37,125)	(175,147)	(365,548)
<b>Balance as at 30 June 2017</b>	<b>9,085,569</b>	<b>624,543</b>	<b>2,784,073</b>	<b>13,233,164</b>	<b>25,727,349</b>
Balance at 1 July 2017	9,085,569	624,543	2,784,073	13,233,164	25,727,349
Additions	1,304,935	246,055	802,650	3,887,315	6,240,955
Disposals	(462,497)	(119,425)	(164,168)	(349,010)	(1,095,100)
Effect of foreign currency exchange differences	179,238	15,691	47,772	211,973	454,674
<b>Balance as at 30 June 2018</b>	<b>10,107,245</b>	<b>766,864</b>	<b>3,470,327</b>	<b>16,983,442</b>	<b>31,327,878</b>
<b>Accumulated depreciation/ amortisation</b>					
Balance at 1 July 2016	(2,280,178)	(573,682)	(376,183)	(1,440,557)	(4,670,600)
Reclassification of assets	(87,169)	-	87,169	-	-
Acquisitions through business combinations	(558,367)	-	(521,566)	(384,282)	(1,464,215)
Depreciation/amortisation	(777,636)	(11,731)	(516,537)	(1,236,675)	(2,542,579)
Eliminated on disposal of assets	36,005	18,054	3,447	-	57,506
Effect of foreign currency exchange differences	24,076	9,934	5,133	5,838	44,981
<b>Balance as at 30 June 2017</b>	<b>(3,643,269)</b>	<b>(557,425)</b>	<b>(1,318,537)</b>	<b>(3,055,676)</b>	<b>(8,574,907)</b>
Balance at 1 July 2017	(3,643,269)	(557,425)	(1,318,537)	(3,055,676)	(8,574,907)
Depreciation/amortisation	(1,266,621)	(82,842)	(810,894)	(1,887,829)	(4,048,186)
Eliminated on disposal of assets	392,526	112,132	153,249	309,744	967,651
Effect of foreign currency exchange differences	(52,203)	(13,639)	(15,189)	(27,501)	(108,532)
<b>Balance as at 30 June 2018</b>	<b>(4,569,567)</b>	<b>(541,774)</b>	<b>(1,991,371)</b>	<b>(4,661,262)</b>	<b>(11,763,974)</b>
<b>Written down value as at 30 June 2018</b>	<b>5,537,678</b>	<b>225,090</b>	<b>1,478,956</b>	<b>12,322,180</b>	<b>19,563,904</b>

## 20. NON-CURRENT ASSETS – GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

	2018 \$	2017 \$
<b>Carrying amounts of</b>		
Goodwill – Walsh & Company Investments Limited acquisition	99,850	99,850
Goodwill – Evans and Partners Pty Limited (“EAP”) acquisition	63,244,663	63,244,663
Brands	31,600,000	31,600,000
	<b>94,944,513</b>	<b>94,944,513</b>

<b>Cost</b>	Goodwill – Walsh & Company Investments Limited \$	Goodwill – Evans & Partners Pty Limited \$	Brands \$	Total \$
Balance at 1 July 2016	99,850	-	-	99,850
Additions	-	63,244,663	31,600,000	94,844,663
<b>Balance as at 30 June 2017</b>	<b>99,850</b>	<b>63,244,663</b>	<b>31,600,000</b>	<b>94,944,513</b>
Balance at 1 July 2017	99,850	63,244,663	31,600,000	94,944,513
<b>Balance as at 30 June 2018</b>	<b>99,850</b>	<b>63,244,663</b>	<b>31,600,000</b>	<b>94,944,513</b>

### 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 cash-generating units (CGUs):

- ♦ Wealth Advice
- ♦ Capital Markets
- ♦ Funds Management

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

	Goodwill – Walsh & Company Investments Limited \$	Goodwill – Evans & Partners Pty Limited \$	Brands \$	Total \$
2018				
<b>CGU</b>				
Wealth Advice	-	20,508,858	18,756,607	39,265,465
Capital Markets	-	41,464,162	10,576,298	52,040,460
Funds Management	99,850	1,271,643	2,267,095	3,638,588
<b>Balance as at 30 June 2018</b>	<b>99,850</b>	<b>63,244,663</b>	<b>31,600,000</b>	<b>94,944,513</b>

Goodwill and other indefinite life intangible assets had been provisionally calculated and had not been allocated to CGUs as at 30 June 2017 and therefore the comparatives have not been shown.



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

### IMPAIRMENT TESTING

#### WEALTH ADVICE

The recoverable value of this CGU is determined based on a value in use calculation which uses post-tax cash flow projections based on the financial budget approved by the Directors covering the FY19 financial year and a post-tax discount rate of 10.0% (implying a pre-tax discount rate of 14.3%). Cash flows beyond FY19 have been extrapolated using a steady 2.5% per annum growth rate which is no higher than the projected long-term average growth rate for the Financial Services sector. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

#### CAPITAL MARKETS

The recoverable value of this CGU is determined based on a value in use calculation which uses post-tax cash flow projections based on the financial budget approved by the Directors covering the FY19 financial year and a post-tax discount rate of 10.0% (implying a pre-tax discount rate of 14.3%). Cash flows beyond FY19 have been extrapolated using a steady 2.5% per annum growth rate which is no higher than the projected long-term average growth rate for the Financial Services sector. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

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

### 21. NON-CURRENT ASSETS – FINITE LIFE INTANGIBLE ASSETS

	2018	2017		
	\$	\$		
<b>Carrying amounts of</b>				
Computer software	4,504,029	3,951,705		
Customer relationships	9,172,222	10,038,889		
Restraint covenants	9,300,000	-		
	<b>22,976,251</b>	<b>13,990,594</b>		
<b>Cost</b>	Computer software	Customer relationships	Restraint covenants	Total
	\$	\$	\$	\$
Balance at 1 July 2016	6,805,215	-	-	6,805,215
Acquisitions through business combinations	1,416,246	-	-	1,416,246
Additions	2,275,707	10,400,000	-	12,675,707
Disposals	(499,420)	-	-	(499,420)
Effect of foreign currency exchange differences	(3,099)	-	-	(3,099)
<b>Balance as at 30 June 2017</b>	<b>9,994,649</b>	<b>10,400,000</b>	<b>-</b>	<b>20,394,649</b>
Balance at 1 July 2017	9,994,649	10,400,000	-	20,394,649
Additions	2,315,263	-	10,000,000	12,315,263
Disposals	(36,213)	-	-	(36,213)
Effect of foreign currency exchange differences	4,850	-	-	4,850
<b>Balance as at 30 June 2018</b>	<b>12,278,549</b>	<b>10,400,000</b>	<b>10,000,000</b>	<b>32,678,549</b>
<b>Accumulated amortisation</b>				
Balance at 1 July 2016	(4,517,438)	-	-	(4,517,438)
Acquisitions through business combinations	(647,017)	-	-	(647,017)
Amortisation expense	(1,361,274)	(361,111)	-	(1,722,385)
Eliminated on disposal of assets	481,920	-	-	481,920
Effect of foreign currency exchange differences	865	-	-	865
<b>Balance as at 30 June 2017</b>	<b>(6,042,944)</b>	<b>(361,111)</b>	<b>-</b>	<b>(6,404,055)</b>
Balance at 1 July 2017	(6,042,944)	(361,111)	-	(6,404,055)
Amortisation expense	(1,763,095)	(866,667)	(700,000)	(3,329,762)
Eliminated on disposal of assets	33,615	-	-	33,615
Effect of foreign currency exchange differences	(2,096)	-	-	(2,096)
<b>Balance as at 30 June 2018</b>	<b>(7,774,520)</b>	<b>(1,227,778)</b>	<b>(700,000)</b>	<b>(9,702,298)</b>
<b>Written down value as at 30 June 2018</b>	<b>4,504,029</b>	<b>9,172,222</b>	<b>9,300,000</b>	<b>22,976,251</b>

The amortisation period for the above finite life intangible assets is as follows:

Computer software	4 years
Customer relationships	12 years
Restraint covenants	5 years

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

### 22. NON-CURRENT ASSETS – INVESTMENT PROPERTY

	2018 \$	2017 \$
Investment property, at fair value	1,588,550	1,588,550

### 23. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
<b>Current</b>		
Trade payables	3,746,309	3,596,593
Sundry payables and accrued expenditure	11,251,261	7,181,600
GST payable	2,364,546	1,323,639
Interest payable	-	93,354
Other related party payables	-	988,374
	<b>17,362,116</b>	<b>13,183,560</b>

The average credit period on purchases of goods and services in Australia and the United States of America is 25 days.

### 24. CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS

	2018 \$	2017 \$
<b>Current</b>		
Borrowings – bank loan	-	5,700,000
Capitalised bank loan costs	-	(373,520)
	<b>-</b>	<b>5,326,480</b>
<b>Non-current</b>		
Borrowings – bank loan	-	62,300,000
Capitalised bank loan costs	-	(1,011,616)
	<b>-</b>	<b>61,288,384</b>

During the year ended 30 June 2018, Evans Dixon Limited held a revolving cash facility and a cash advance facility with Westpac Banking Corporation. Both facilities had a termination date of 17 March 2021. Both the revolving cash facility and the cash advance facility were repaid in full on 9 May 2018 using proceeds from the initial public offering, and were closed.

As at 30 June 2018, the Group was in the process of documenting a new bank guarantee facility which would allow a release from the security arrangements under the revolving cash facility and the cash advance facility. Until such time as that process is completed, Westpac Banking Corporation will continue to hold a security interest over the assets and undertakings of the Group (other than those entities that hold AFSL licences which Westpac Banking Corporation has agreed to exclude). Total group assets secured against the bank loan and bank guarantees as at 30 June 2018 is \$271,745,767.

As at 30 June 2018, Westpac Banking Corporation had issued bank guarantees on behalf of the Group totalling \$4,993,033.

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

### 25. CURRENT LIABILITIES – DEFERRED REVENUE

	2018 \$	2017 \$
Deferred revenue	14,716,360	12,124,384

### 26. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	2018 \$	2017 \$
<b>Current</b>		
Employee benefits	25,064,340	25,233,868
<b>Non-current</b>		
Employee benefits	975,331	1,389,347
Provision for make-good	1,775,891	852,088
	<b>2,751,222</b>	<b>2,241,435</b>
<b>Provision for make-good – reconciliation of movement in the current year</b>		
Balance at 1 July 2017	852,088	
Additional provisions recognised	948,803	
Reductions arising from payments and write-off of provisions	(25,000)	
<b>Balance at 30 June 2018</b>	<b>1,775,891</b>	

### 27. CURRENT AND NON-CURRENT LIABILITIES – OTHER

	2018 \$	2017 \$
<b>Current</b>		
Lease incentive and rental straight-lining	500,054	502,118
<b>Non-current</b>		
Lease incentive and rental straight-lining	5,439,096	5,559,772

### 28. EQUITY – ISSUED CAPITAL

	Number of shares	Share capital \$
Balance as at 1 July 2016	100,500,000	62,209,500
Issue of shares – 16 September 2016	1,000,000	500,000
Issue of shares – 1 February 2017	56,599,690	100,000,000
<b>Balance as at 30 June 2017</b>	<b>158,099,690</b>	<b>162,709,500</b>
Other transactions with shareholders – 30 November 2017	-	820,499
Issue of shares – 22 February 2018	4,000,000	5,440,000
Issue of shares – 8 May 2018	52,000,000	130,000,000
<b>Balance as at 30 June 2018</b>	<b>214,099,690</b>	<b>298,969,999</b>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

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

### 29. EQUITY – REORGANISATION RESERVE

	2018 \$	2017 \$
Reserve arising out of corporate reorganisation	(135,098,583)	(135,098,583)

The reorganisation reserve reflects the change in organisational structure when Evans Dixon Limited (formerly Laver Place Pty Limited) became the parent entity of the Group on 18 March 2016.

### 30. EQUITY – CASH FLOW HEDGE RESERVE

	2018 \$	2017 \$
Cash flow hedge reserve	-	(425,064)

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in the fair value of the interest rate swap held by Evans Dixon Limited.

### MOVEMENTS IN CASH FLOW HEDGE RESERVE

Movements in the cash flow hedge reserve during the current and previous financial year are set out below:

	2018 \$	2017 \$
Balance at the beginning of the year	(425,064)	(935,262)
Unrealised gains (losses) on cash flow hedge	-	149,915
Realised losses transferred to profit or loss	425,064	360,283
<b>Balance at the end of the year</b>	<b>-</b>	<b>(425,064)</b>

### 31. EQUITY – FOREIGN CURRENCY TRANSLATION RESERVE

	2018 \$	2017 \$
Foreign currency translation reserve	2,924,112	2,459,979

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### MOVEMENTS IN FOREIGN CURRENCY TRANSLATION RESERVE

Movements in the foreign currency translation reserve during the current and previous financial year are set out below:

	2018 \$	2017 \$
Balance at the beginning of the year	2,459,979	3,033,484
Exchange differences arising on translating the foreign operations	464,133	(573,505)
<b>Balance at the end of the year</b>	<b>2,924,112</b>	<b>2,459,979</b>

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

### 32. EQUITY – RETAINED PROFITS

	2018 \$	2017 \$
Balance at the beginning of the year	29,427,005	11,694,457
Profit attributable to the owners of the Company	19,270,337	17,732,548
Payment of dividends	(13,840,502)	-
<b>Balance at the end of the year</b>	<b>34,856,840</b>	<b>29,427,005</b>

### 33. PARENT ENTITY INFORMATION

As of and throughout the financial year ended 30 June 2018, the parent entity of the Group was Evans Dixon Limited.

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

### SUMMARISED FINANCIAL INFORMATION

	2018 \$	2017 \$
<b>Summarised statement of financial position</b>		
Current assets	46,479,806	41,888
Non-current assets	338,939,167	328,009,601
<b>Total assets</b>	<b>385,418,973</b>	<b>328,051,489</b>
Current liabilities	1,609,251	30,526,954
Non-current liabilities	-	61,565,555
<b>Total liabilities</b>	<b>1,609,251</b>	<b>92,092,509</b>
<b>Net assets</b>	<b>383,799,722</b>	<b>235,958,980</b>
<b>Equity</b>		
Issued capital	378,549,500	243,109,500
Cash flow hedge reserve	-	(425,064)
Retained profits	5,250,222	(6,725,456)
<b>Total equity</b>	<b>383,799,722</b>	<b>235,958,980</b>
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Profit / (loss) for the year, after income tax	25,838,116	(4,007,248)
Other comprehensive loss	(425,064)	(510,198)
<b>Total comprehensive profit / (loss)</b>	<b>25,413,052</b>	<b>(4,517,446)</b>

The parent entity does not have any contingent liabilities or contractual commitments as at the end of the financial year (2017: nil). The parent entity has entered into guarantees as outlined in Note 24. The accounting policies of the parent entity are consistent with those of the Group as disclosed in Note 2, except for consolidation of subsidiaries carried at cost.

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

### 34. OPERATING LEASE ARRANGEMENTS

Evans Dixon Limited holds a number of tenancy leases across Australia and the United States of America which are due to expire over future financial periods.

	2018 \$	2017 \$
<b>Payments received recognised as income</b>		
Sub-lease payments received	165,536	164,779
<b>Payments recognised as an expense</b>		
Minimum lease payments	9,001,706	7,176,049

Minimum lease payments payable over future financial years for non-cancellable operating leases contracted for, but not capitalised, in the financial statements are as follows:

	2018 \$	2017 \$
<b>Minimum lease payments payable</b>		
Not later than 12 months	9,612,143	8,419,309
Between 12 months and 5 years	39,534,511	35,718,874
Greater than 5 years	21,380,612	16,572,989
	<b>70,527,266</b>	<b>60,711,172</b>

### 35. FINANCIAL INSTRUMENTS

#### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's principal financial assets comprise cash and cash equivalents, trade and other receivables and investments in listed and unlisted securities.

The Group's principal financial liabilities comprise trade and other payables (2017: bank borrowings).

The Group's activities expose it to a variety of financial risks: for example, market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to ensure the potential adverse effects on the financial performance of the Group are kept to within acceptable limits. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and foreign currency risk, and ageing analysis for credit risk.

Risk management is carried out by senior management and the Board. The Board identifies and monitors the risk exposure of the Group and determines appropriate procedures, controls and risk limits. Senior management identifies, evaluates and monitors financial risks within the Group's operations.

There has been no material change to the nature of the financial risks the Group is exposed to, or the manner in which these risks are managed and measured.



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

	2018 \$	2017 \$
<b>Categories of Financial Instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	89,146,849	33,543,081
Trade and other receivables	30,187,236	19,962,549
Financial assets	902,958	882,984
Deposits	3,046,950	2,286,230
<b>Financial liabilities</b>		
Trade and other payables	17,362,116	13,183,560
Borrowings	-	66,614,864
Derivative financial liability	-	425,064

## CAPITAL MANAGEMENT

The capital structure of the Group consists of cash (cash and cash equivalents) and equity (comprising contributed equity, retained profits and reserves).

The Group manages its capital with the aim of ensuring that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

A subsidiary of the Group, Evans and Partners Pty Ltd, is a market participant on the ASX and Chi-X, therefore has an externally imposed capital and liquidity requirement. In addition, the subsidiaries Evans and Partners Pty Ltd, Dixon Advisory & Superannuation Services Limited, Walsh & Company Investments Limited and Walsh & Company Asset Management Pty Limited all have Australian Financial Services Licenses which require the maintenance of a minimum level of net assets.

## FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence the exposures to exchange rate fluctuations arise which are recorded through profit or loss.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the reporting date that are denominated in a currency different to the functional currency of the respective entities holding the monetary assets and liabilities are as follows:

	2018 \$	2017 \$
<b>Assets</b>		
Currency of USA – represents cash at bank and intercompany trade receivables	21,604,038	10,297,374

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

### (i) Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a reduction in profit where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable increasing impact on the profit, and the balances below would be positive.

	2018 \$	2017 \$
<b>USD impact</b>		
+ 10% strengthening	(2,160,404)	(1,029,737)
- 10% weakening	2,160,404	1,029,737

## INTEREST RATE RISK

The Group is exposed to change in interest rates on cash at bank.

### (i) Interest rate sensitivity analysis

A 100 basis points (BP) increase or decrease in interest rates represents management's assessment of the reasonably possible change in interest rates based on cash at bank balance at balance date.

	2018 \$	2017 \$
<b>Impact of 100 BP change in interest rate applied on year-end cash at bank balance</b>		
+ 100 basis points	891,424	335,372
- 100 basis points	(846,854)	(144,377)

## CREDIT RISK MANAGEMENT

Credit risk management is the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. A default may arise through a counterparty failing to meet its obligation to pay invoiced fees.

### (i) Invoices for services

The credit worthiness of clients is taken into account when accepting client assignments.

Receivables consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers.

As at 30 June 2018 the Group does not have a significant credit risk exposure to any single customer. Note 13 includes an ageing of receivables past due.

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

### (ii) Cash balances

The credit risk of the banks holding the Group's cash is considered limited because the banks have high credit ratings assigned by international credit rating agencies. Cash and cash equivalents are only deposited with reputable financial institutions. The majority of funds at year end were deposited with four banks in Australia and two banks in the USA.

## LIQUIDITY RISK MANAGEMENT

Liquidity is the risk that financial obligations of the Group cannot be met as and when they fall due without incurring significant costs. The Group manages liquidity risk by monitoring forecast cash requirements, both short and longer term, against its current liquid assets. In determining the level of liquidity to maintain, regard is had to cash flows required over the next 12 months and regulatory obligations such as Australian Financial Services Licence requirements of the Group.

### (i) Liquidity and interest rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Less than 1 month \$	1 - 3 months \$	3 - 12 months \$	1 - 5 years \$	5+ years \$	Total \$
<b>Liabilities</b>							
<b>30 June</b>							
<b>2018</b>							
Non-interest bearing	-	(10,045,725)	(2,231,390)	(5,085,001)	-	-	(17,362,116)

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

### FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 techniques and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018	30 June 2017		
	\$	\$		
<b>Assets</b>				
Available-for-sale shares in listed corporations	-	8,782	Level 1	Quoted bid prices in an active market.
Available-for-sale shares in unlisted corporations	902,958	874,201	Not applicable	The directors have deemed that the fair value of these assets approximates their historical cost, given the absence of an active trading market for the instruments and the absence of any other available information to the Group indicating material change in the value of the investments since their acquisition date. Movements in carrying values include movements in foreign exchange rates at balance date where the investments are held by foreign subsidiaries.
Investment property	1,588,550	1,588,550	Level 2	Value determined based on direct comparable sales as reported by licenced real estate valuers engaged by the Group. Key inputs are selling price, geographic location, property age and condition.
<b>Liabilities</b>				
Interest rate swaps	-	425,064	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and Level 2 in the year.

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

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

### 36. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

#### TRADING TRANSACTIONS

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group and key management personnel:

	Provision of services		Purchase of services	
	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<b>Associates of Evans Dixon Limited</b>				
Fort Street Real Estate Capital Pty Limited	5,650,034	661,499	625,528	925,235
Fort Street Real Estate Services Pty Limited	-	-	-	-
Evans Dixon Law Pty Limited	-	-	-	-
US Select Private Opportunities Fund II GP, LLC	1,244,748	1,315,241	-	-
US Select Private Opportunities Fund III GP, LLC	795,018	494,253	-	-
US Select Private Opportunities Fund IV GP, LLC	148,263	-	-	-
US Select Direct Private Equity (US) GP, LLC	93,001	160,342	-	-
	<b>7,931,064</b>	<b>2,631,335</b>	<b>625,528</b>	<b>925,235</b>
<b>Jointly controlled entities of Evans Dixon Limited</b>				
Laver Place Sub Pty Limited	-	-	-	-
Dixon Associates PE III Wholesale Fund	-	-	-	-
515 West 168th	52,792	14,911	-	-
34th Astoria	32,245	-	-	-
523 West 135th	7,404	-	-	-
	<b>92,441</b>	<b>14,911</b>	<b>-</b>	<b>-</b>

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

### KEY MANAGEMENT PERSONNEL (KMP) OF EVANS DIXON LIMITED

Trading transactions: During the financial year, KMP and KMP-related entities were charged for various services including international equities managed discretionary account services, brokerage and rental of office premises totalling \$285,040 (2017: \$384,991). The terms and conditions of these transactions were no more favourable than those available to non-KMP.

Other: During the financial year, a restraint deed arrangement was entered into by the Company with the Executive Chairman and Managing Director & CEO, under which the Executive Chairman and Managing Director & CEO have given a number of post-employment covenants for the protection of the Group's business. In consideration of the provision of these covenants, a sum of \$5,000,000 each was paid to the Executive Chairman and Managing Director & CEO.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	\$	\$
<b>Associates of Evans Dixon Limited</b>				
Fort Street Real Estate Capital Pty Limited	183,119	-	98,781	191,303
Evans Dixon Law Pty Limited	113,489	-	-	654,225
	<b>296,608</b>	<b>-</b>	<b>98,781</b>	<b>845,528</b>
<b>Jointly controlled entities of Evans Dixon Limited</b>				
Dixon Associates PE III Wholesale Fund	12,537	-	-	-
515 West 168th	6,745	8,554	-	-
34th Astoria	2,969	-	-	-
523 West 135th	7,766	-	-	-
	<b>30,017</b>	<b>8,554</b>	<b>-</b>	<b>-</b>
<b>Key management personnel of Evans Dixon Limited</b>				
Key management personnel – trade receivables	<b>60,420</b>	<b>79,830</b>	<b>-</b>	<b>-</b>

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

### 37. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of directors and other members of key management personnel during the year was as follows:

	2018 \$	2017 \$
Short-term employee benefits	17,967,281	8,569,578
Post-employment benefits	132,353	153,559
Long-term employee benefits	34,308	38,099
	<b>18,133,942</b>	<b>8,761,236</b>

### 38. NET CASH PROVIDED BY OPERATING ACTIVITIES

Reconciliation of profit for the year to net cash flows from operating activities:

	2018 \$	2017 \$
Profit after tax for the year	19,270,337	17,732,548
<b>Non-cash flows in profit:</b>		
Add: Depreciation and amortisation	7,377,948	4,264,964
Add: Loss on sale of assets	-	68,405
Add: Loss on movement of fair value of assets	-	83,056
Add: Amortisation of borrowing costs	1,385,136	388,119
Add / (less): Unrealised foreign exchange	(291,539)	225,809
(Less): Share of profits of associate entities	(5,069,331)	(1,152,985)
<b>Changes in assets and liabilities:</b>		
(Increase) / decrease in trade and other receivables	(10,224,687)	(4,425,685)
(Increase) / decrease in prepayments	(340,800)	939,937
(Increase) / decrease in inventories	38,859	25,355
(Increase) / decrease in deferred tax assets	(2,111,802)	(2,092,730)
(Increase) / decrease in deposits	(760,721)	1,592,694
Increase / (decrease) in trade and other payables	4,297,384	(779,432)
Increase / (decrease) in deferred revenue	2,591,976	(150,235)
Increase / (decrease) in current tax liabilities	(1,205,398)	(1,963,661)
Increase / (decrease) in provisions	(583,546)	6,608,155
<b>Net cash generated by operating activities</b>	<b>14,373,816</b>	<b>21,364,314</b>

Reconciliation of liabilities arising from financing activities:

	30 June 2017 \$	Net financing cash flows \$	Non-cash flow items \$	30 June 2018 \$
Borrowings	66,614,864	(68,000,000)	1,385,136	-



### 39. CONTINGENT LIABILITIES

Westpac Banking Corporation holds a security interest over the assets and undertakings of the Group (other than those entities that hold AFSL licences which Westpac Banking Corporation has agreed to exclude) as security for the bank loan and bank guarantees. Total Group assets secured against the bank loan and bank guarantees as at 30 June 2018 is \$271,745,767. The Group is in the process of documenting a new bank guarantee facility which would allow a release from the security arrangements.

Citibank, N.A. has issued a standby letter of credit on behalf of Dixon Advisory USA Inc. in favour of the landlord of Level 28, 140 Broadway, New York, USA up to a limit of \$685,557 USD (\$927,556 AUD equivalent) as required under the terms of the lease of this premises.

Investors Bank has issued a standby letter of credit on behalf of Dixon Advisory USA Inc. in favour of the landlord of 1000 Plaza 2, Level 10, Jersey City NJ, USA up to a limit of \$130,611 USD (\$176,716 AUD equivalent) as required under the terms of the lease of this premises.

Wells Fargo Bank, N.A. has issued a standby letter of credit on behalf of Dixon Projects LLC in favour of Liberty Mutual Insurance Corporation up to a limit of \$500,000 USD (\$676,499 AUD equivalent) as required under the terms of an insurance policy. On 1 August 2018, this limit was increased to \$750,000 USD (\$1,014,748 AUD equivalent).

### 40. COMMITMENTS FOR EXPENDITURE

The Group has not entered into any material contracts for which commitment of future expenditure exists.

### 41. SUBSEQUENT EVENTS

The Board has declared a fully franked dividend of 6.0 cents per share that is expected to be paid on 10 October 2018.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

# Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements
- (c) 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 consolidated entity, and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors,



David Evans  
Director



Alan Dixon  
Director

Dated: 27th August 2018

# Independent auditor's report to the members of Evans Dixon Limited



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225 George Street  
Sydney, NSW, 2000  
Australia  
  
Phone: +61 2 9322 7000  
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## Independent Auditor's Report to the members of Evans Dixon Limited

### *Opinion*

We have audited the financial report of Evans Dixon Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

Liability limited by a scheme approved under Professional Standards Legislation  
Member of Deloitte Touche Tohmatsu Limited

## Independent auditor's report to the members of Evans Dixon Limited (cont.)



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Goodwill and Intangible Assets – Allocation to Cash Generating Units and Impairment</b></p> <p>As at 30 June 2018, the Group's intangible assets balance of \$117.9 million includes an amount of \$104.0 million, which relates to the acquisition of Evans &amp; Partners Pty Ltd during the 2017 financial year. This balance comprises goodwill of \$63.2 million, brands of \$31.6 million and customer relationships of \$9.2 million, as disclosed in Note 20 and Note 21.</p> <p>As disclosed in Note 3, significant judgement is involved in the determination of the allocation of the goodwill and intangible assets to identified cash-generating units (CGU's) for impairment testing, and the subsequent assessment of impairment of the goodwill and intangible assets. This impairment assessment is complex in respect of the assumptions and estimates used in preparing a discounted cash flow model ('value in use'), including the determination of:</p> <ul style="list-style-type: none"> <li>• Future cash flows for the CGU's;</li> <li>• Long term growth rates; and</li> <li>• Discount rates.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining the goodwill and intangible asset allocation calculation and: <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluating the appropriateness of the Group's identification of CGU's and the method adopted for allocating goodwill and intangible assets to each CGU;</li> <li>• Testing the allocation proportion to each CGU by reference to underlying CGU financial data; and</li> <li>• Testing the mathematical accuracy of the calculation;</li> </ul> </li> <li>• Obtaining an understanding and evaluating the controls associated with the Group's impairment assessment;</li> <li>• Obtaining the Group's goodwill and intangible assets impairment model and: <ul style="list-style-type: none"> <li>• Testing the integrity of the model including the accuracy of the underlying calculation formulae;</li> <li>• Challenging the key assumptions and estimates used in the model, including cash flow forecasts, discount rates, and growth rates, with reference to industry data and historical performance of the Group;</li> <li>• Challenging and evaluating the appropriateness of the Group's sensitivity analysis of key inputs, being changes of growth rates and discount rates applied;</li> <li>• Engaging our valuation specialists to calculate an independent discount rate to assess against the rate used in the model; and</li> </ul> </li> <li>• Assessing the appropriateness of the Group's disclosures in Note 2, 3, 20 and 21 to the financial statements.</li> </ul>

# Independent auditor's report to the members of Evans Dixon Limited (cont.)



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Revenue Recognition</b></p> <p>As at 30 June 2018, the Group's revenue of \$294.9 million comprised the following revenue streams:</p> <ul style="list-style-type: none"> <li>• Wealth Advice (\$99.2 million)</li> <li>• Capital Markets (\$49.4 million)</li> <li>• Funds Management (\$146.3 million)</li> </ul> <p>As disclosed in Note 3(ii) performance fee arrangements (recognised within the Funds Management revenue stream) involve the Group assessing the performance of relevant managed assets against specified performance hurdles. The fees are calculated using complex formulae and judgement is applied in determining when the fee recognition criteria are met.</p> <p>In addition, corporate transaction fee arrangements (recognised within the Capital Markets revenue stream) represent individually significant transactions and there is a risk that inaccurate calculations and a significant risk that incorrect timing of recognition may lead to inaccuracies in the recorded revenue balance.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key processes implemented by the Group for revenue recognition in relation to performance fees and corporate transaction fees;</li> <li>• For performance fee revenue recognised during the year testing, on a sample basis, the calculation of the performance fee to the underlying investment management agreement by agreeing key inputs such as fund net asset values and returns to relevant sources and recalculating the fee, and assessing the satisfaction of relevant recognition criteria;</li> <li>• For corporate transaction fee revenue recognised during the year including transactions recognised at or around year-end balance date, testing, on a sample basis, the calculation of the fee by agreeing fee related inputs to documents such as executed engagement letters and / or Product Disclosure Statements, and recalculating the fee. We also assessed the correct timing of revenue recognised based on satisfaction of relevant recognition criteria relevant to the corporate transaction; and</li> <li>• Assessing the appropriateness of the Group's disclosures in Note 2 and 3(ii) to the financial statements.</li> </ul>
<p><b>Executive Directors' Restraint Deed Arrangements</b></p> <p>As at 30 June 2018, the Group has recognised intangible assets of \$9.3 million in relation to Restraint Deed arrangements concluded with two of the Group's executive directors.</p> <p>As disclosed in Note 3(iii), significant management judgement is involved in the recognition of the Restraint Deed payment amounts as intangible assets, and the determination of an appropriate amortisation policy.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the executive directors' Restraint Deeds to understand the relevant terms and conditions within the agreements and the inter-relationship with other employee arrangements;</li> <li>• Obtaining an understanding of the key processes adopted by the Group to determine the recognition of the executive directors' Restraint Deeds arrangements in accordance with the relevant accounting standards, and engaging with our technical accounting specialists to assess the appropriateness of the accounting treatment adopted;</li> <li>• Assessing the adequacy of the amortisation period adopted by the Group in respect of the recognised intangible asset; and</li> <li>• Assessing the appropriateness of the Group's disclosures in Note 2, 3(iii) and 21 to the financial statements.</li> </ul>

## Independent auditor's report to the members of Evans Dixon Limited (*cont.*)



### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Report*

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent auditor's report to the members of Evans Dixon Limited (*cont.*)

### **Deloitte.**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

##### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 33 to 40 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Evans Dixon Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

##### *Responsibilities*

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



DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
Partner  
Chartered Accountants  
Sydney, 27 August 2018



# Additional stock exchange information

## DIVIDEND DETAILS

It is the current intention of the Board to pay interim dividends in respect of half years ending in December and final dividends in respect of full years ending in June each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period end. It is expected that all future dividends will be franked to the maximum extent possible without the Company incurring an additional tax liability.

## STATEMENT OF QUOTED SECURITIES AS AT 1 AUGUST 2018

There are 3,688 shareholders holding a total of 214,099,690 ordinary shares.

The 20 largest shareholders between them hold 51.54% of the total shares on issue.

## SHARE REGISTRY INFORMATION

The following information is correct as at 1 August 2018:

## 20 LARGEST SHAREHOLDERS

Registered holder	Number of shares held	% of ordinary shares
Alan Dixon	39,122,625	18.273%
Jolimont Terrace Investments Pty Limited <Thornton Investments A/C>	14,581,955	6.811%
Walker Street LB Nominees Pty Limited	10,864,083	5.074%
Laver Place Nominees Pty Limited	7,108,334	3.320%
Wroxby Pty Limited	4,000,000	1.868%
Morey Ankatell Pty Limited <Bluebombers S/F A/C>	3,841,369	1.794%
HSBC Custody Nominees (Australia) Limited	3,673,931	1.716%
National Nominees Limited	3,332,345	1.556%
Robert Turner & Lisa Gay Turner	2,481,875	1.159%
OHJS Group Pty Limited <Super Hans Super Fund A/C>	2,450,000	1.144%
Premiership Player Pty Limited <Premiership Legend Super A/C>	2,708,000	1.265%
Mr Orange Pty Limited <Mr White Pension Fund>	2,200,000	1.028%
Washington H Soul Pattinson And Company Limited	2,000,000	0.934%
BKI Investment Company Limited	2,000,000	0.934%
Kernick House Pty Limited <Ryan Bruce Family A/C>	1,769,673	0.827%
Huinink Investments Pty Limited <Huinink Family A/C>	1,735,590	0.811%
Castellina Pty Limited <Panzano Family A/C>	1,735,590	0.811%
UBS Nominees Pty Limited	1,600,000	0.747%
Tractatus Pty Limited <Bailey Family A/C>	1,588,500	0.742%
David Lea Calvert	1,546,667	0.722%

## Additional stock exchange information (cont.)

### DISTRIBUTION OF SHAREHOLDERS

Holding	Number of shareholders	Number of shares held	% of ordinary shares
1 – 1,000	79	56,957	0.027%
1,001 – 5,000	513	1,728,626	0.807%
5,001 – 10,000	2,414	19,299,918	9.014%
10,001 – 100,000	502	14,650,225	6.843%
100,001 and over	180	178,363,964	83.309%
<b>Total</b>	<b>3,688</b>	<b>214,099,690</b>	<b>100%</b>

### SUBSTANTIAL SHAREHOLDERS

Alan Dixon and David Evans are substantial shareholders pursuant to the provisions of section 671B of the *Corporations Act 2001*.

### DIRECTORS' SHAREHOLDINGS

Director	Number of shares held
David Evans	14,716,543
Alan Dixon	41,322,625
Sally Herman	170,276
Josephine Linden	-
David Crawford AO	532,064

### VOTING RIGHTS

At meetings of members or classes of members, each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has one vote for each fully paid Share held by the member.

### VOLUNTARY ESCROW SHARES

As at 1 August 2018, 102,440,317 shares were subject to voluntary escrow. The voluntary escrow period ends on the dates and for the amount of shares set out in the table below:

Date of release	Shares released from voluntary escrow
14 May 2019	51,220,158
14 May 2020	51,220,159

# Corporate directory

<b>Directors</b> David Evans Alan Dixon Sally Herman Josephine Linden David Crawford AO	<b>Company secretaries</b> Tristan O'Connell Simon Barnett	<b>Registered office (principal place of business)</b> Level 15, 100 Pacific Highway North Sydney, NSW, 2060 Telephone: 1300 069 436
<b>Share Registry</b> Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street Sydney, NSW, 2000 Telephone: 1800 634 850	<b>Auditor</b> Deloitte Touche Tohmatsu Grosvenor Place, 225 George Street Sydney, NSW, 2000	<b>Website</b> <a href="https://www.evansdixon.com.au/">https://www.evansdixon.com.au/</a>



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