FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

E&P Financial Group Limited
(formerly Evans Dixon Limited)
ACN 609 913 457

Contents

Directors' report

INTRODUCTION

The directors of E&P Financial Group Limited (formerly Evans Dixon Limited) (the **Company**) submit herewith the financial report of the consolidated entity comprising the Company and its controlled entities (herein referred to as the **Group**) for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of the directors of E&P Financial Group Limited during or since the end of the half-year are:

- David Evans, Executive Chairman
- Sally Herman, Non-Executive Director
- Josephine Linden, Non-Executive Director
- Kevin McCann, Non-Executive Director
- Anthony Pascoe, Non-Executive Director (appointed 2 July 2020, resigned 11 November 2020, re-appointed 18 November 2020)
- Alan Dixon, Non-Executive Director (resigned 2 July 2020)

REVIEW AND RESULTS OF OPERATIONS

OPERATING AND FINANCIAL REVIEW

GROUP FINANCIAL PERFORMANCE BY OPERATING SEGMENT

A$M	E&P WEALTH	E&P CAPITAL	E&P FUNDS	CORPORATE UNALLOCATED	TOTAL
Total revenue[1]	44.7	28.9	29.8	-	103.4
Net revenue[2]	42.5	27.9	28.7	-	99.1
Underlying EBITDA[3]	8.2	6.5	9.4	(6.2)	17.9
Underlying NPATA[4]					5.9

Notes:

1. *Total revenue excludes interest income of $0.1 million and $0.9 million in US Paycheck Protection Program income. It also includes $1.1 million in fair value loss on held for sale assets (along with gains on equity accounted investments) to reflect the net movement in the investment in CVC Emerging Companies Fund during the period.*
2. *Net revenue is defined as gross revenue less cost of sales including trading execution, clearing and settlement costs, costs directly incurred in the provision of construction, project management, design and architectural services.*
3. *Underlying EBITDA reflect adjustments for items or events that the directors consider are not part of the usual business activities or reflect the underlying performance of the Company. See reconciliation in Non-IFRS information section for further information.*
4. *Underlying NPATA is defined as underlying net profit after tax, before amortisation of acquired intangibles and items or events that the directors consider are not part of the usual business activities or reflect the underlying performance of the Company. See reconciliation in Non-IFRS information section for further information.*

GROUP PERFORMANCE

The Group recorded total revenue of $103.4 million and net revenue of $99.1 million after deducting cost of sales for the half year to 31 December 2020. Net revenue was down 4% compared to the prior corresponding period, driven by structural changes in E&P Wealth and E&P Funds. Despite this, net revenue increased 11% when compared to 2H20 as the economic recovery post COVID-19 impacts supported strong corporate transaction activity during the half.

The Group recorded underlying EBITDA of $17.9 million and underlying NPATA of $5.9 million for the period which reflected a 14% and 33% reduction respectively when compared to the prior corresponding period. The Group's underlying EBITDA margin also reduced from 20% to 18% over the period. The Group's operating expenses continue to be closely managed, and despite elevated insurance premiums in the period, operating expenses were in line with 2H20. Underlying EBITDA was impacted by higher staff expenses resulting from the Group's decision to suspend the employee share plan. This decision will continue to impact the underlying EBITDA of the Group in future periods as expenses relating to employee equity grants made during past periods are amortised.

During the period, the Group continued to implement the recommendations from the firm-wide operational review, albeit with some delays due to the impact of COVID-19. Structural changes to the business, particularly in E&P Funds are well progressed, and the Group has made additional investments in the risk and compliance function. The Group has also begun to implement the medium-term growth initiatives that have been previously outlined. In E&P Wealth, the Group has soft launched both the Evans & Partners Retail Wealth Management and the DA Private service offerings, which focus on the underserviced mass affluent retail market. In E&P Capital, the Group has expanded its M&A, ECM and small cap research teams, and is well progressed in establishing its Hong Kong presence. In E&P Funds, the Group has made business development hires to accelerate the external distribution of the Group's core equities funds. These are just some of the initiatives that are being implemented as part of a refocussed strategy to drive medium- and long-term sustainable growth and position the business for the Australian financial services landscape of the future.

NON-IFRS INFORMATION

The Company utilises certain non-IFRS financial measures when assessing the financial performance of the Company. These measures which include net revenue, underlying Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) and underlying Net Profit After Tax before Acquired Amortisation (**NPATA**) are not prepared in accordance with IFRS and are therefore considered 'non-IFRS' financial measures.

Management uses non-IFRS 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, to establish strategic goals and to allocate resources. The directors therefore believe that the non-IFRS measures provide useful information to assist investors and analysts to understand the business and its performance. The non-IFRS financial measures reflect adjustments for items or events that the directors consider are not part of the usual business activities or reflect the underlying performance of the Company. The adjustments have been consistently applied in all reporting periods, regardless of their impact on the underlying result.

Directors' report *(cont.)*

The table below sets out the adjustments to EBITDA and NPAT that were made for 1H21, 2H20 and 1H20.

UNDERLYING EBITDA & NPATA RECONCILIATION IN FINANCIALS

A$M	1H20	2H20	1H21
Net profit before tax	**5.4**	**(34.0)**	**5.4**
Interest revenue and finance costs	0.9	0.9	0.7
Depreciation, amortisation and impairment of PPE	12.8	9.7	9.6
Impairment of goodwill, intangible assets and investments	-	38.7	-
EBITDA	**19.1**	**15.3**	**15.7**
Underlying adjustments			
US PPP stimulus income	-	(1.3)	(0.9)
Fair value adjustments on non-core investments[1]	-	0.7	0.4
Regulatory proceedings and related costs	-	-	2.3
Costs of 360 Capital takeover offer	-	-	0.4
Employee termination payments	1.7	0.2	-
Loss on de-recognition of subsidiary	-	0.3	-
Other items	-	1.2	-
Underlying EBITDA	**20.8**	**16.4**	**17.9**
Statutory NPAT	**2.1**	**(32.6)**	**4.5**
After tax amount of underlying adjustments	1.3	0.3	1.4
Impairment of goodwill and other	3.5	37.5	-
Amortisation of acquired intangibles	1.9	1.4	1.0
US CARES Act tax credit	-	(2.1)	(1.0)
Underlying NPATA	**8.8**	**4.5**	**5.9**

Notes:

1. *Non-core investments reflect the Group's investment in an asset or enterprise that is unrelated to the core activities of the Group.*

- *The 1H21 underlying EBITDA adjustments include income of $0.9 million received in the form of US Paycheck Protection Program forgivable loan ($0.9 million after tax), net fair value adjustments on non-core investments of $0.4 million ($0.4 million after tax), $2.3 million in expenses relating to regulatory proceedings and related costs ($1.6 million after tax) and $0.4m in direct legal and consulting expenses incurred as a result of 360 Capital's off-market takeover offer ($0.3 million after tax).*
- *The 2H20 underlying EBITDA adjustments include $0.2 million in employee termination payments ($0.1 million after tax), loss on sale of Dixon Realty of $0.3 million ($0.3 million after tax), income of $1.3 million received in the form of US Paycheck Protection Program forgivable loan ($1.3 million after tax), net fair value adjustments on non-core investments of $0.7 million ($0.4 million after tax) and $1.2 million in other items ($0.8 million after tax).*
- *1H20 underlying EBITDA adjustments include $1.7 million in employee termination payments ($1.3 million after tax).*
- *Underlying NPATA excludes the impact of amortisation of intangible assets that arose from the merger with Evans & Partners, acquisition of Fort Street Advisers and the Company's IPO in 1H21 totalling $1.0 million after tax (2H20: $1.4 million, 1H20: $1.9 million).*
- *1H21 underlying NPATA also excludes tax relief stimulus measures resulting from the US CARES Act totalling $1.0 million (2H20: $2.1 million).*
- *2H20 underlying NPATA adjustments include impairment of goodwill, other intangibles and the Group's investment in FSC totalling $37.5 million after tax.*
- *1H20 underlying NPATA adjusts for $3.5 million in impairment of PP&E arising from changes in US premises.*

Directors' report *(cont.)*

BUSINESS SEGMENT OVERVIEW

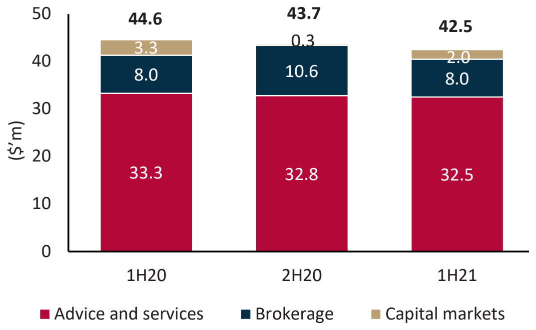
E&P WEALTH

E&P Wealth 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 fund administration and legal services. E&P Wealth operates across two brands being Evans & Partners and Dixon Advisory. E&P Wealth revenues are primarily derived from fee for service investment and financial advice and administration, asset-based advice fees and securities brokerage. E&P Wealth also receives fees for participation in equity and debt capital raisings.

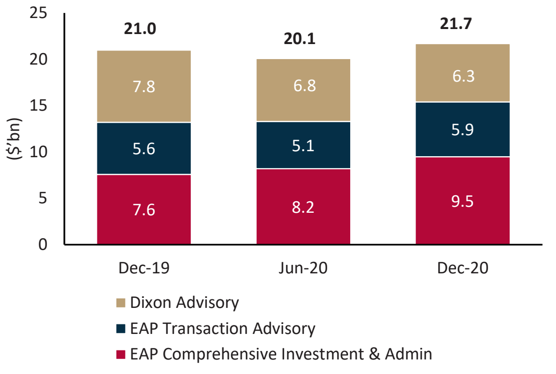
E&P Wealth's 1H21 net revenue of $42.5 million was down 5% compared to the prior corresponding period. Despite consistent underlying performance from the Evans & Partners wealth business, the result was impacted by lower revenues in the Dixon Advisory business. Growth in Evans & Partners advice and services revenue and a net increase in Evans & Partners client numbers helped to partially offset modest Dixon Advisory client attrition. E&P Wealth underlying EBITDA of $8.2 million was down 17% compared to the prior corresponding period. Underlying EBITDA was impacted by increased insurance premiums and by higher cash bonus accruals resulting from the Group's decision to suspend the employee share plan. Underlying EBITDA in E&P Wealth will continue to be impacted in future periods as expenses relating to employee equity grants made during past periods are amortised.

Funds under advice (FUA) at 31 December 2020 was $21.7 billion representing an increase of 8% over the period. The business saw strong FUA growth from the Evans & Partners client base reflecting positive investment outcomes. The total number of E&P Wealth clients as at 31 December 2020 of approximately 9,200 was largely stable.

E&P WEALTH NET REVENUE



E&P WEALTH FUA



During the period, E&P Wealth made solid progress in the execution of its strategy, implementing a raft of client experience improvements and revenue growth initiatives. This included the successful soft launch of the new Evans & Partners Retail Wealth Management and DA Private service offerings. The Company commenced a go-to-market digital marketing program in February 2021 targeting the underserviced mass affluent retail segment. Supporting these changes was the enhanced governance structures implemented in prior periods.

Directors' report *(cont.)*

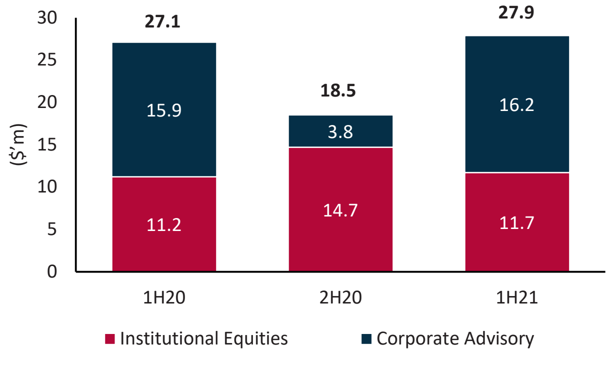
E&P CAPITAL

E&P Capital provides stockbroking and investment advisory services to institutional clients and advice to corporations, including advice on equity and debt capital market transactions, public markets and private treaty mergers and acquisitions, corporate divestments, private equity buyouts and debt financing and corporate restructurings. The E&P Capital segment generates revenue through institutional brokerage and securities execution commissions, corporate advisory services fees and debt and equity capital markets advice fees.

E&P Capital's underlying result was driven by strong performance from both Corporate Advisory and Institutional trading. During the period, E&P Capital completed several transactions, representing a significant increase compared to the preceding two halves. The division recorded net revenue of $27.9 million during the period, which was 3% higher than the prior corresponding period. Underlying EBITDA was $6.5 million, a 25% decrease compared to the prior corresponding period, reflecting the Group's continued investment in its equity research capability, as well the impact of higher cash bonus accruals resulting from the Group's decision to suspend the employee share plan. Underlying EBITDA in E&P Capital will continue to be impacted in future periods as expenses relating to employee equity grants made during past periods are amortised.

The quality of the Group's institutional sales, trading and equity research teams in the small-to-mid caps space was demonstrated through E&P Capital's exceptional result in the Peter Lee Associates Australian Equity Investors Report 2020. The strong result supports the investment the business has made over prior periods. E&P Capital continued to expand its targeted research offering, increasing the number of stocks under coverage by 19% compared to the prior corresponding period, to 127 companies as at 31 December 2020.

E&P CAPITAL NET REVENUE



Directors' report *(cont.)*

E&P CAPITAL SELECTED CORPORATE ADVISORY TRANSACTIONS

December 2020 **$2,000 million** Capital Notes 5 Joint Lead Manager	**December 2020** **$321 million** Initial Public Offering Co-Lead Manager	**December 2020** **$30 million** Institutional Placement Joint Lead Manager
November 2020 **$1,400 million** Capital Notes 7 Joint Lead Manager	**November 2020** **$40 million** Institutional Placement Joint Lead Manager	**November 2020** **$150 million** Adviser to Universal Store in relation to its Initial Public Offering
November 2020 **$60 million** Financial adviser on acquisition of Xplore Wealth Joint Lead Manager	**October 2020** **$735 million** Adviser to MGIF and Infratil in relation to acquisition of a ~71% interest in Qscan Radiology Clinics from Quadrant Private Equity	**September 2020** **$8.5 million** Institutional Placement Joint Lead Manager
July 2020 **$40 million** Institutional Placement and SPP Joint Lead Manager	**July 2020** **$600million** OTC Wholesale AT1 Notes Co-Manager	**July 2020** **$56 million** Initial Public Offering Joint Lead Manager

E&P FUNDS

E&P Funds provides investment management solutions tailored to suit the needs of clients and investors. E&P Funds 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 best be accessed and actively managed with internal and partner capabilities. E&P Funds 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.

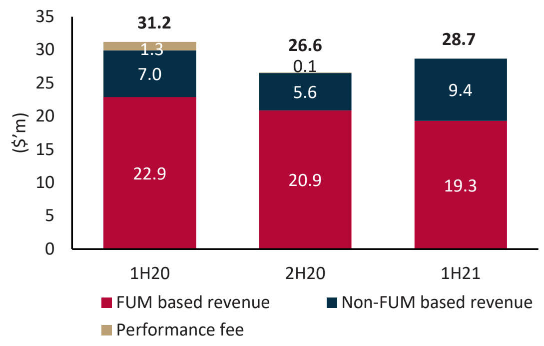
Directors' report *(cont.)*

E&P Funds continued to undergo structural change during the period, with the goal of improving returns across the Group's real asset portfolios to enhance value and liquidity for investors. The changes included a major refinance of URF's debt facilities and the continuation of its asset sale program, execution of an asset sale program within New Energy Solar, completion of the merger of the Fort Street Real Estate Capital fund series and the continued wind down of Dixon Projects. The Group also continued to invest in its core equities offering to promote further external distribution. Dedicated distribution resources have now been appointed, the Flagship series of funds has been rebranded to Orca Funds Management, and the listed equities funds have been converted to unlisted unit trusts and transitioned to an external Responsible Entity.

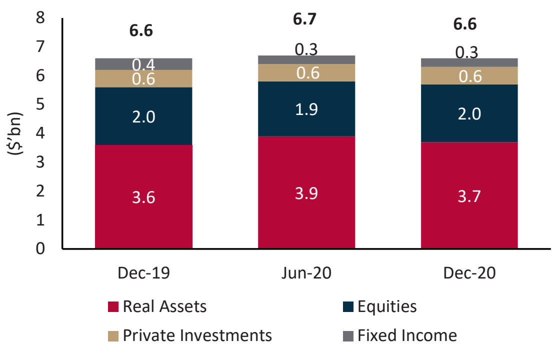
The impact of these structural changes has reduced the revenues of E&P Funds during the period. Despite this, the performance from the CVC Emerging Companies Fund joint venture, delivering a 73.9% return in the six months to 31 December 2020, produced mark-to-market gains on the Company's cornerstone investment. Net revenue during the period was $28.7 million, down 8% compared to the prior corresponding period. However, underlying EBITDA was $9.4 million, up 19% compared to the prior corresponding period, driven by the performance of the CVC Emerging Companies Fund joint venture. The underlying EBITDA in E&P Funds was also impacted by higher cash bonus accruals resulting from the Group's decision to suspend the employee share plan. Underlying EBITDA in E&P Funds will continue to be impacted in future periods as expenses relating to employee equity grants made during past periods are amortised.

Funds under management (**FUM**) at 31 December 2020 was $6.6 billion, consistent with the prior comparable period.

E&P FUNDS NET REVENUE



FUNDS UNDER MANAGEMENT BY ASSET CLASS



DIVIDENDS

The Group paid no dividends during the period ended 31 December 2020.

On 19th February 2021, the Board declared an interim fully franked dividend of 2.0 cents per share which represents a payout ratio of 85% of NPATA for the period. The Board remains committed to an annual target dividend payout ratio of 75-85% of NPATA across the full year.

BALANCE SHEET AND CAPITAL

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

- the Group maintained a strong cash balance with available cash increasing by $4.2 million;
- the Group reduced its financial asset balance following the partial selldown of the Group's cornerstone position in the US Solar Fund plc and the disposal of other non-core financial assets;
- equity accounted investments increased by $4.3 million driven by the strong performance in the Group's CVC Emerging Company's fund cornerstone investment; and
- the Group entered into a premium financing facility to finance its annual insurance premiums.

SUBSEQUENT EVENTS

Since the end of the financial period, the directors have declared an interim dividend of 2.0 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 15th April 2021. The record date for dividend entitlement is 1st April 2021. The Company also announced the suspension of its Dividend Reinvestment Plan (**DRP**) effective from 18th February 2021 until further notice.

On 19th February 2021, the Group dispatched its Target's Statement in response to a Bidder's Statement, which was dispatched by 360 Capital Group (ASX:TGP), on 4th February 2021. Refer to the respective ASX announcements for further detail on these Statements. After ASX market close on 24th February 2021, TGP declared its offer unconditional and extended the offer period until 31st March 2021.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 12 of the half-year report.

ROUNDING OF AMOUNTS

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

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

On behalf of the Directors,

David Evans
Director

Sally Herman
Director

Dated: 25th February 2021

Auditor’s independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
E&P Financial Group Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

25 February 2021

Dear Board Members

Auditor’s Independence Declaration to E&P Financial Group 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 E&P Financial Group Limited.

As lead audit partner for the review of the half-year financial report of E&P Financial Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	NOTES	HALF-YEAR ENDED 31 DECEMBER 2020 $'000	HALF-YEAR ENDED 31 DECEMBER 2019 $'000
Revenue			
Provision of services	5	95,248	111,689
Interest		86	140
Share of profits of associates and jointly controlled entities		8,776	1,723
Government stimulus grant (USA)		918	-
Other income		435	1,652
Total revenue and income		**105,463**	**115,204**
Expenses			
Employee benefits		(63,796)	(64,416)
Property design, renovation and maintenance		(917)	(4,645)
Administrative expense		(8,266)	(6,548)
Occupancy		(703)	(602)
Depreciation and amortisation	4	(8,579)	(9,279)
Impairment of property, plant and equipment	10	(1,035)	(3,503)
Information technology		(4,943)	(4,915)
Rebates and commissions		(3,122)	(7,056)
Regulatory proceedings and related costs		(2,251)	-
Fair value loss on held for sale assets	7	(1,098)	-
Travel and accommodation		(32)	(568)
Finance costs		(756)	(1,029)
Other expenses		(4,519)	(7,195)
Total expenses		**(100,017)**	**(109,756)**
Profit before income tax expense		**5,446**	**5,448**
Income tax expense	9	(931)	(3,335)
Profit for the period		**4,515**	**2,113**
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(890)	197
Items that will not be reclassified subsequently to profit or loss			
Fair value (loss)/gain on financial assets measured at FVTOCI		(542)	678
Other comprehensive (loss)/income for the period, net of income tax		(1,432)	875
Total comprehensive income for the period		**3,083**	**2,988**
Earnings per share			
Basic (cents per share)		2.0	0.9
Diluted (cents per share)		2.0	0.9

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

Condensed consolidated statement of financial position

AS AT 31 DECEMBER 2020

	NOTES	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		41,839	37,635
Trade and other receivables		21,048	18,604
Assets classified as held for sale	16	4,674	10,409
Finance lease receivables	11	546	-
Current tax assets		4,077	556
Prepayments		4,780	1,816
Total current assets		**76,964**	**69,020**
Non-current assets			
Investments accounted for using the equity method	7	27,292	22,960
Investments in financial assets	16	10,174	10,544
Property, plant and equipment	10	11,257	10,493
Goodwill and other indefinite life intangible assets	12	106,255	106,255
Finite life intangible assets		12,820	14,043
Right-of-use assets		30,083	31,278
Finance lease receivables	11	3,490	-
Deposits		4,454	5,101
Prepayments		488	559
Deferred tax assets		-	100
Total non-current assets		**206,313**	**201,333**
Total assets		**283,277**	**270,353**
Liabilities			
Current liabilities			
Trade and other payables		10,852	12,877
Borrowings	17	1,644	-
Contract liabilities		10,512	9,748
Provisions	18	30,656	28,492
Lease liabilities		7,747	9,110
Total current liabilities		**61,411**	**60,227**
Non-current liabilities			
Provisions	18	4,013	4,157
Lease liabilities		33,331	28,031
Deferred tax liabilities		1,491	-
Total non-current liabilities		**38,835**	**32,188**
Total liabilities		**100,246**	**92,415**
Net assets		**183,031**	**177,938**
Equity			
Share capital	8	322,090	322,424
Reorganisation reserve		(135,099)	(135,099)
Investment revaluation reserve		(143)	(112)
Foreign currency translation reserve		3,000	3,890
Share based payments reserve		5,933	3,589
Accumulated losses		(12,750)	(16,754)
Total equity		**183,031**	**177,938**

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

Condensed consolidated statement of changes in equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	SHARE CAPITAL $'000	RE-ORGANISATION RESERVE $'000	INVESTMENT REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	SHARE BASED PAYMENTS RESERVE $'000	RETAINED PROFITS/ (ACCUMULATED LOSSES) $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	321,766	(135,099)	375	3,625	572	26,515	217,754
Profit after income tax expense for the period	-	-	-	-	-	2,113	2,113
Other comprehensive income for the period, net of tax	-	-	678	197	-	-	875
Total comprehensive income for the period	-	-	678	197	-	2,113	2,988
Transactions with owners in their capacity as owners:							
Issue of shares	359	-	-	-	-	-	359
Equity-settled share-based payments	-	-	-	-	1,221	-	1,221
Dividends paid	-	-	-	-	-	(7,011)	(7,011)
Balance at 31 December 2019	**322,125**	**(135,099)**	**1,053**	**3,822**	**1,793**	**21,617**	**215,311**
Balance at 1 July 2020	322,424	(135,099)	(112)	3,890	3,589	(16,754)	177,938
Profit after income tax expense for the period	-	-	-	-	-	4,515	4,515
Other comprehensive loss for the period, net of tax	-	-	(542)	(890)	-	-	(1,432)
Total comprehensive income for the period	-	-	(542)	(890)	-	4,515	3,083
Transactions with owners in their capacity as owners:							
Treasury shares acquired	(334)	-	-	-	-	-	(334)
Equity-settled share-based payments	-	-	-	-	2,344	-	2,344
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	-	-	511	-	-	(511)	-
Balance at 31 December 2020	**322,090**	**(135,099)**	**(143)**	**3,000**	**5,933**	**(12,750)**	**183,031**

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

Condensed consolidated statement of cash flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	HALF-YEAR ENDED 31 DECEMBER 2020 $'000	HALF-YEAR ENDED 31 DECEMBER 2019 $'000
Cash flows from operating activities		
Receipts from customers	101,101	125,129
Payments to suppliers and employees	(97,010)	(113,970)
Interest received	14	133
Interest paid	(63)	(273)
Income taxes paid, net of receipts	(2,628)	(815)
Net cash generated by operating activities	**1,414**	**10,204**
Cash flows from investing activities		
Payments for investments in jointly controlled entities	(2,988)	(2,433)
Purchase of property, plant and equipment	(1,046)	(264)
Proceeds from sale of property, plant and equipment	-	81
Development of intangible assets (software)	(1,252)	(1,099)
Purchase of financial assets	(777)	(1,995)
Proceeds from sale of financial assets	10,866	-
Dividends received from associate entities and financial assets	1,662	1,143
Net cash generated by/(used in) investing activities	**6,465**	**(4,567)**
Cash flows from financing activities		
Proceeds from borrowings	5,266	-
Repayment of borrowings	(3,633)	(5,000)
Payments of transaction costs relating to borrowings	-	(183)
Net payments of lease liabilities	(4,816)	(4,706)
Proceeds of lease incentive	119	-
Dividends paid	-	(6,652)
Purchase of treasury shares	(334)	-
Net cash used in financing activities	**(3,398)**	**(16,541)**
Net increase/(decrease) in cash and cash equivalents	4,481	(10,904)
Cash and cash equivalents at the beginning of the period	37,635	45,252
Effect of exchange rate fluctuations on cash held	(277)	2
Cash and cash equivalents at the end of the period	**41,839**	**34,350**

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

Notes to the condensed consolidated financial statements

1. GENERAL INFORMATION

STATEMENT OF COMPLIANCE

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

2. NEW AND REVISED ACCOUNTING STANDARDS

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

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

- *AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business*
- *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material*
- *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the effect of new IFRS standards not yet issued in Australia*

The new and revised Standards and Interpretations adopted during the period do not materially affect the Group's accounting policies or any of the amounts recognised in the condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2020 annual financial report for the financial year ended 30 June 2020. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(B) LEASES

THE GROUP AS LESSOR

The Group has entered into lease agreements as a lessor with respect to its previously used office premises at 140 Broadway, New York, USA. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

Subsequent to initial recognition, the Group reviews the estimated unguaranteed residual value and applies the impairment requirements of AASB 9, recognising an allowance for expected credit losses on the lease receivables. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

(C) 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, it's carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

During the half year ended 31 December 2020, the Group raised a provision in relation to future settlements of open cases at 31 December 2020 with the external dispute resolution body – the Australian Financial Complaints Authority (**AFCA**). An estimate of future settlements as a result of past events was recognised. The provision has been estimated by projecting the potential resolution outcomes based on historical case outcomes and probability weighting each applicable resolution scenario outcome for each open case at the external dispute resolution stage as at 31 December 2020.

4. SEGMENT INFORMATION

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

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

- E&P Wealth (formerly Wealth Advice)
- E&P Capital (formerly E&P)
- E&P Funds (formerly Funds Management)

E&P Wealth 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.

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

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

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

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

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

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

	E&P WEALTH $'000	E&P CAPITAL $'000	E&P FUNDS $'000	CORPORATE UNALLOCATED $'000	TOTAL $'000
Half-year ended 31 December 2020					
Revenue					
Provision of services	44,491	28,911	21,846	-	95,248
Recognised as follows:					
At a point in time	*11,111*	*27,541*	*637*	-	*39,289*
Over time	*33,380*	*1,370*	*21,209*	-	*55,959*
Share of profits of associates and jointly controlled entities	28	-	8,748	-	8,776
Government stimulus grant (USA)	-	-	918	-	918
Other income	135	(23)	323	-	435
Total revenue (excluding interest)	**44,654**	**28,888**	**31,835**	**-**	**105,377**
Cost of sales	(2,163)	(950)	(1,167)	-	(4,280)
Net revenue	**42,491**	**27,938**	**30,668**	**-**	**101,097**
Direct expenses	(30,910)	(14,784)	(18,181)	-	(63,875)
Overhead expenses	(2,774)	(1,456)	(1,155)	-	(5,385)
Allocated staff expenses	(2,857)	(5,151)	(1,442)	-	(9,450)
Unallocated group staff expenses	-	-	-	(4,105)	(4,105)
Unallocated group other expenses	-	-	-	(2,552)	(2,552)
Earnings before interest, taxation, depreciation and amortisation	**5,950**	**6,547**	**9,890**	**(6,657)**	**15,730**
Depreciation and amortisation expense	-	-	-	(4,112)	(4,112)*
Right-of-use asset depreciation expense	(2,093)	(574)	(733)	(1,067)	(4,467)*
Impairment of property, plant and equipment expense	-	-	-	(1,035)	(1,035)
Earnings before interest and taxation	**3,857**	**5,973**	**9,157**	**(12,871)**	**6,116**
Interest revenue	-	-	72	14	86
Finance costs	(300)	(83)	(146)	(227)	(756)
Profit before taxation	**3,557**	**5,890**	**9,083**	**(13,084)**	**5,446**
Income tax expense					(931)
Net profit after taxation					**4,515**

** Note: Total depreciation and amortisation expense $8.579 million.*

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

	E&P WEALTH $'000	E&P CAPITAL $'000	E&P FUNDS $'000	CORPORATE UNALLOCATED $'000	TOTAL $'000
Half-year ended 31 December 2019					
Revenue					
Provision of services	46,554	31,384	33,751	-	111,689
Recognised as follows:					
At a point in time	*10,271*	*30,658*	*100*	-	*41,029*
Over time	*36,283*	*726*	*33,651*	-	*70,660*
Share of profits of associates and jointly controlled entities	43	-	1,680	-	1,723
Other income	120	83	1,539	(90)	1,652
Total revenue (excluding interest)	**46,717**	**31,467**	**36,970**	**(90)**	**115,064**
Cost of sales	(2,088)	(4,350)	(5,731)	-	(12,169)
Net revenue	**44,629**	**27,117**	**31,239**	**(90)**	**102,895**
Direct expenses	(29,101)	(12,717)	(20,706)	-	(62,524)
Overhead expenses	(3,001)	(1,555)	(1,282)	-	(5,838)
Allocated staff expenses	(2,672)	(4,190)	(1,317)	-	(8,179)
Unallocated group staff expenses	-	-	-	(2,567)	(2,567)
Unallocated group other expenses	-	-	-	(4,668)	(4,668)
Earnings before interest, taxation, depreciation and amortisation	**9,855**	**8,655**	**7,934**	**(7,325)**	**19,119**
Depreciation and amortisation expense	-	-	-	(5,235)	(5,235)*
Right-of-use asset depreciation expense	(1,746)	(479)	(929)	(890)	(4,044)*
Impairment of property, plant and equipment expense	-	-	-	(3,503)	(3,503)
Earnings before interest and taxation	**8,109**	**8,176**	**7,005**	**(16,953)**	**6,337**
Interest revenue	-	-	-	140	140
Finance costs	(268)	(73)	(201)	(487)	(1,029)
Profit before taxation	**7,841**	**8,103**	**6,804**	**(17,300)**	**5,448**
Income tax expense					(3,335)
Net profit after taxation					**2,113**

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

5. REVENUE

PROVISION OF SERVICES REVENUE

	HALF-YEAR ENDED 31 DECEMBER 2020 $'000	HALF-YEAR ENDED 31 DECEMBER 2019 $'000
At a point in time		
Advisory, administration and brokerage	11,111	10,271
Corporate advisory and institutional brokerage	27,541	30,658
Funds management	637	100
Total revenue earned at a point in time	**39,289**	**41,029**
Over time		
Advisory and administration	33,380	36,283
Corporate advisory revenue	1,370	726
Funds management	18,645	22,820
Project service fees	2,564	10,831
Total revenue earned over time	**55,959**	**70,660**
Total provision of services revenue	**95,248**	**111,689**

REVENUE RECOGNITION

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

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

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

6. DIVIDENDS

During the half-year, E&P Financial Group Limited made the following dividend payments:

	HALF-YEAR ENDED 31 DECEMBER 2020		HALF-YEAR ENDED 31 DECEMBER 2019	
	CENTS PER SHARE	TOTAL $'000	CENTS PER SHARE	TOTAL $'000
Fully paid ordinary shares				
Final dividend for the year ended 30 June 2020	-	-	-	-
Final dividend for the year ended 30 June 2019	-	-	3 cents	7,011
		-		**7,011**

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Investments in associates	439	392
Investments in jointly controlled entities	26,853	22,568
	27,292	**22,960**

Reconciliation of movement in investments in jointly controlled entities.

	FORT STREET CAPITAL $'000	DIXON ASSOCIATES PE III $'000	CVC EMERGING COMPANIES FUND $'000	OTHER $'000	TOTAL $'000
Balance at 1 July 2019	12,075	3,962	2,511	3,125	21,673
Acquisitions	-	675	2,377	32	3,084
Share of profits of jointly controlled entities	542	411	2,521	1,031	4,505
(Less): Impairment	(5,231)	-	-	-	(5,231)
(Less): Dividends received	(1,000)	-	-	(513)	(1,513)
Effect of foreign currency exchange differences	-	-	-	50	50
Balance as at 30 June 2020	**6,386**	**5,048**	**7,409**	**3,725**	**22,568**
Balance at 1 July 2020	6,386	5,048	7,409	3,725	22,568
Acquisitions	-	611	2,377	-	2,988
Share of profits of jointly controlled entities	222	653	7,688	165	8,728
(Less): Dividends received/receivable	-	-	(1,228)	(250)	(1,478)
(Less): Transfer of assets to held for sale*	-	-	(5,772)	-	(5,772)
Effect of foreign currency exchange differences	-	-	-	(181)	(181)
Balance as at 31 December 2020	**6,608**	**6,312**	**10,474**	**3,459**	**26,853**

** Note: A portion of the overall investment in CVC Emerging Companies Fund ($5.772 million) was reclassified as "held for sale" during the period under AASB 5. A "fair value loss on held for sale assets" of $1.098 million was subsequently recognised in the condensed consolidated statement of profit or loss and other comprehensive income, with the remaining carrying value of $4.674 million shown as a "held for sale" asset in the condensed consolidated statement of financial position as at 31 December 2020.*

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

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

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	31 DECEMBER 2020 %	30 JUNE 2020 %
Associates of E&P Financial Group Limited			
Clear Law Pty Limited	Australia	49%	49%
US Select Private Opportunities Fund II, GP LLC	USA	50%	50%
US Select Private Opportunities Fund III, GP LLC	USA	42.5%	42.5%
US Select Private Opportunities Fund IV, GP LLC	USA	42.5%	42.5%
US Select Direct Private Equity, GP LLC	USA	42.5%	42.5%
Jointly controlled entities of E&P Financial Limited			
Fort Street Real Estate Capital Pty Limited *	Australia	75%	75%
Fort Street Real Estate Services Pty Limited *	Australia	75%	75%
Fort Street Capital Pty Limited	Australia	50%	50%
Laver Place Sub Pty Limited	Australia	33.3%	33.3%
CVC Emerging Companies IM Pty Limited	Australia	50%	50%
CVC Emerging Companies Fund ***	Australia	15.9%	15.9%
Dixon Associates PE III Wholesale Fund **	USA	83.6%	81.7%
UA Dixon 168 Manager, LLC	USA	50%	50%
UA Dixon 30-58/64 34th Street, LLC	USA	50%	50%
UA Dixon 523 West 135th Street Manager, LLC	USA	50%	50%

**Despite the Group holding a majority interest in Fort Street Real Estate Capital Pty Limited and Fort Street Real Estate Services Pty Limited, control is shared between the Group and the minority holder by virtue of the Shareholder Agreement which is in place.*

***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.*

**** A portion of this investment accounted for using the equity method was transferred to available for sale assets as at 31 December 2020. This portion was subsequently disposed of by 21st January 2021, leaving an ownership percentage of 9.9% after the sale was completed.*

All of the above associates and jointly controlled entities (excluding the portion of CVC Emerging Companies Fund transferred to held for sale assets) are accounted for using the equity method in these condensed consolidated financial statements.

8. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Issued capital as at 31 December 2020 amounted to $335,839,284 (234,633,959 ordinary shares).

	NUMBER OF SHARES	SHARE CAPITAL $
Balance of issued share capital as at 1 July 2019	233,699,753	337,355,089
Issue of shares – 23 October 2019	447,180	359,142
Issue of shares – 27 April 2020	487,026	298,060
Treasury shares re-issued under the share rights plan	-	(72,052)
Balance of issued share capital as at 30 June 2020	**234,633,959**	**337,940,239**
Treasury shares re-issued under the share rights plan	-	(2,100,955)
Balance of issued share capital as at 31 December 2020	**234,633,959**	**335,839,284**
(Less): Treasury shares held by Group entities	(8,731,117)	(13,748,877)
Balance of share capital as at 31 December 2020	**225,902,842**	**322,090,407**

Movement in treasury shares balance during the period can be reconciled as follows:

	NUMBER OF SHARES	SHARE CAPITAL $
Opening balance of treasury shares held by Group entities 1 July 2020	(9,053,422)	(15,516,780)
(Less): Treasury shares purchased during the period	(681,364)	(333,052)
Add: Treasury shares issued (options exercised) during the period	1,003,669	2,100,955
Closing balance treasury shares held by Group entities 31 December 2020	**(8,731,117)**	**(13,748,877)**

9. INCOME TAX

	HALF-YEAR ENDED 31 DECEMBER 2020 $'000	HALF-YEAR ENDED 31 DECEMBER 2019 $'000
Income tax recognised in profit or loss		
The income tax expense for the period can be reconciled to the accounting profit as follows:		
Profit before income tax expense	**5,446**	**5,448**
Income tax expense at 30% (2019: 30%)	1,634	1,634
Effect of income that is exempt from taxation	(171)	(237)
Effect of expenses that are not deductible in determining taxable profit	(19)	388
Effect of different tax rates of subsidiaries operating in other jurisdictions	(38)	(90)
USA derived losses not recognised as deferred tax asset	481	1,655
Write-back of previous year's USA tax losses (US CARES Act)	(969)	-
	918	**3,350**
Adjustments recognised in the current period in relation to the current tax of prior periods	13	(15)
Total income tax expense recognised in profit or loss	**931**	**3,335**

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

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

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Carrying amounts of		
Furniture and equipment	1,938	2,506
Motor vehicles	10	15
Computer equipment	311	389
Leasehold improvements	8,998	7,583
	11,257	**10,493**

	FURNITURE AND EQUIPMENT $'000	MOTOR VEHICLES $'000	COMPUTER EQUIPMENT $'000	LEASEHOLD IMPROVEMENTS $'000	TOTAL $'000
Cost					
Balance at 1 July 2020	5,120	33	2,295	14,907	22,355
Additions	292	-	64	3,367	3,723
Disposals/scrapping	(1,836)	-	(519)	(5,051)	(7,406)
Effect of foreign currency exchange differences	(46)	(4)	(28)	-	(78)
Balance as at 31 December 2020	**3,530**	**29**	**1,812**	**13,223**	**18,594**
Accumulated depreciation/ amortisation					
Balance at 1 July 2020	(2,614)	(18)	(1,906)	(7,324)	(11,862)
Depreciation/amortisation	(286)	(3)	(135)	(1,329)	(1,753)
Impairment*	(548)	-	-	(487)	(1,035)
Eliminated on disposal of assets	1,818	-	519	4,915	7,252
Effect of foreign currency exchange differences	38	2	21	-	61
Balance as at 31 December 2020	**(1,592)**	**(19)**	**(1,501)**	**(4,225)**	**(7,337)**
Written down value as at 31 December 2020	**1,938**	**10**	**311**	**8,998**	**11,257**

**Note: This relates to relocation of premises in North Sydney and Canberra offices.*

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

11. FINANCE LEASE RECEIVABLES

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Amounts receivable under finance leases		
Less than one year	797	-
One to five years	3,824	-
More than five years	159	-
Total undiscounted lease payments receivable at 31 December 2020	**4,780**	**-**
Present value of lease payments receivable	(744)	-
Net investment in the lease	**4,036**	**-**
Current	546	-
Non-current	3,490	-
Total	**4,036**	**-**

During the period, the Group entered into finance leasing arrangements as a lessor of the former office space held at 140 Broadway, New York USA. Upon commencement of the finance leasing arrangements the right-of-use asset in relation to this premises was derecognised and a net investment in finance leases recognised. The term of the finance lease receivable matches the original term of the underlying lease, which expires in February 2026. The Group is exposed to foreign currency risk as a result of this finance lease arrangement as the lease is denominated in USD.

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Amounts recognised in the condensed consolidated Statement of Profit or Loss and other Comprehensive Income		
Finance income on the net investment in finance leases	**72**	**-**

The directors of the Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the future prospects of the industries in which the lessees operate, the directors of the Group consider that no finance lease receivable is impaired.

12. GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Carrying amounts of		
Goodwill	76,922	76,922
Brands	29,333	29,333
	106,255	**106,255**

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

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

- E&P Wealth (formerly Wealth Advice)
- E&P Capital (formerly E&P)
- E&P Funds (formerly Funds Management)

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

	GOODWILL $'000	BRANDS $'000	TOTAL $'000
30 June 2020			
CGU			
E&P Wealth	11,778	18,757	30,535
E&P Capital	65,144	10,576	75,720
E&P Funds	-	-	-
Balance as at 30 June 2020	**76,922**	**29,333**	**106,255**
31 December 2020			
CGU			
E&P Wealth	11,778	18,757	30,535
E&P Capital	65,144	10,576	75,720
E&P Funds	-	-	-
Balance as at 31 December 2020	**76,922**	**29,333**	**106,255**

The Group has conducted an assessment of indicators of impairment in respect of goodwill and other indefinite life intangibles at balance date. This included consideration of each CGU's actual results compared to forecast for the half-year ended 31 December 2020, comparison of each CGU's FY21 full year reforecast against the forecast adopted in the impairment test at 30 June 2020, and consideration of other key changes in segment operations.

Based on the above assessment, the directors have concluded the absence of any impairment of the carrying amount of goodwill and other indefinite life intangibles for the half-year ended 31 December 2020.

13. SHARE BASED PAYMENTS

EMPLOYEE SHARE OPTIONS

On 18th December 2020, the Group announced its intention from this date to suspend granting further equity to employees under the ORP & LFSP. This does not impact previously issued employee share options as detailed below.

SHARE OPTIONS/RIGHTS PLAN (ORP)

Further details of previously issued ORP tranches of shares are disclosed in the annual financial report. During the half-year ended 31 December 2020, three further tranches of rights were issued under the ORP as follows:

ORP	TRANCHE G	TRANCHE H	TRANCHE I
Number of rights	3,092,027	3,092,027	3,092,181
Grant date	15 Oct 2020	15 Oct 2020	15 Oct 2020
Vesting date	15 Oct 2021	15 Oct 2022	15 Oct 2023
Market value of shares at grant date (10-day VWAP)	$0.5315	$0.5315	$0.5315

The rights issued under the ORP have been treated as 'in substance options' which have been valued using a Black-Scholes option pricing methodology with key inputs shown below. The resulting value is amortised over the vesting period on a probability adjusted basis. The total expense recorded for the period was $1.67 million.

ORP	TRANCHE G	TRANCHE H	TRANCHE I
Option life	1 year	2 years	3 years
Share price at grant date	$0.580	$0.580	$0.580
Expected volatility	50%	50%	50%
Historical dividend yield	4.2%	6.3%	6.9%
Risk-free rate	0.11%	0.15%	0.15%
Fair value per right	$0.556	$0.512	$0.471
Valuation methodology	Black-Scholes	Black-Scholes	Black-Scholes

The following tranches vested during the half-year ended 31 December 2020:

ORP	TRANCHE A
Number of rights	1,859,691
Grant date	15 Oct 2019
Vesting date	15 Oct 2020

The number of Tranche A vested rights that were exercised during the half-year ended 31 December 2020 was 943,677.

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

Details of the share options outstanding during the period are as follows:

	NUMBER OF SHARE RIGHTS
Opening balance at 1 July 2020	6,520,754
Rights granted during the period	9,276,235
Rights exercised during the period (Tranche A)	(943,677)
Rights exercised during the period (Good leavers)	(59,992)
Rights forfeited during the period (Other leavers)	(205,620)
Closing balance at 31 December 2020	**14,587,700**

LOAN FUNDED SHARE PLAN (LFSP)

During the half-year ended 31 December 2020, no further tranches of shares have been issued under the LFSP. Further details of previously issued LFSP tranches of shares are disclosed in the annual financial report. The number of shares forfeited during the half-year ended 31 December 2020 was 139,858.

14. KEY MANAGEMENT PERSONNEL

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

15. RELATED PARTIES

The Group has held a $250,000 investment in unlisted Australian corporation Integrated Workforce Solutions Pty Limited (**IWS**) since January 2015. Anthony Pascoe, who commenced as a Director of the Group on 2 July 2020, is Executive Chairman of IWS and, together with his related parties, owns 18.5% of the equity in IWS at balance date.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

FINANCIAL ASSETS	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)
	31 December 2020 $'000	**30 June 2020 $'000**		
Assets classified as held for sale				
Listed corporations	-	10,409	Level 1	Quoted bid prices in an active market.
Unlisted fund	4,674	-	Level 2	Where relevant Level 2 market information exists, in this case an offer for sale of an asset, this information is used to determine the fair value of the assets classified as held for sale.
	4,674	**10,409**		
Investments in financial assets				
Listed corporations	8,613	7,588	Level 1	Quoted bid prices in an active market.
Shares/bonds in unlisted corporations	1,561	2,956	Level 2/3	Where relevant Level 2 market information, such as a recent capital raising or offer for sale of an asset, is available, this information is used to determine the fair value of the investment. For remaining investments, alternative Level 3 valuation techniques may be used adopting market or asset specific inputs and assumptions. In the absence of any other available information indicating material change in value, the directors may deem that the fair value of assets materially approximates their historical cost. Movements in carrying values include movements in foreign exchange rates at balance date where the investments are held by foreign subsidiaries.
	10,174	**10,544**		

There were no transfers between Level 1 and Level 2/Level 3 in the period. The fair value of financial assets and financial liabilities which are not measured at fair value on a recurring basis materially approximates their carrying value at reporting date.

17. BORROWINGS

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Current		
Borrowings – insurance premium funding	**1,644**	**-**

During the period, the Group entered into a premium financing facility totalling $5.3 million to fund its annual insurance premiums. The facility is repayable in 10 fixed instalments with the final instalment due on 30th March 2021.

The Group has an amortising revolving cash advance facility with Westpac Banking Corporation. The facility has a $10 million limit which was undrawn as at 31st December 2020. The facility expires on 31st March 2021.

The Group also has a bank guarantee facility with Westpac Banking Corporation with a $10.2 million limit. As at 31st December 2020, Westpac had issued $9.9 million in guarantees which were used to secure the Group's Australian commercial office leases and to provide regulatory capital. On 25th January 2021, Westpac agreed to an extension of the bank guarantee facility until 31st March 2021.

To secure the Westpac facilities, the Group has entered into a general security agreement which provides security over the assets and interests of all wholly owned subsidiaries, other than the Group's Australian Financial Services Licence (**AFSL**) holders.

18. PROVISIONS

	31 DECEMBER 2020 $'000	30 JUNE 2020 $'000
Current:		
Employee benefits	28,842	28,492
Provision for AFCA external dispute resolution claims (refer note 3(c))	1,814	-
	30,656	**28,492**
Non-current:		
Employee benefits	1,220	1,235
Provision for make-good	2,793	2,922
	4,013	**4,157**

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

19. CONTINGENT LIABILITIES

On 4th September 2020, ASIC commenced legal proceedings in the Victorian registry of the Federal Court of Australia against Dixon Advisory & Superannuation Services Limited (**DASS**), a subsidiary of the Group. ASIC provided a concise statement within which they allege breaches by DASS of certain 'best interests obligations' in Division 2 of Part 7.7A of the Corporations Act 2001 between 2 September 2015 and 31 May 2019. These allegations were further detailed in a full statement of claim which was received by DASS on 30 November 2020.

The ASIC proceedings relate to recommendations comprising personal financial product advice provided by several of DASS's representatives to retail clients in relation to Units, URF Notes (I, II and III) and CPUs in the US Masters Residential Property Fund. ASIC also alleges that each of these recommendations gave rise to contraventions by DASS as the responsible financial services licensee under section 961K(2) of the Act. A total of 125 such contraventions are alleged. The proceedings seek declarations of contravention, pecuniary penalties under the Corporations Act 2001 and certain other orders against DASS.

The directors of DASS intend to defend the proceedings. As at the date of this concise half-year financial report the directors of the Company are unable to estimate the likely quantum of costs if any, that may arise from these proceedings.

DASS undertakes ongoing compliance activities, including reviews of products, advice, conduct and services provided to clients. As part of the conditions of its Australian Financial Services Licence, DASS adopts a proactive approach when advised of a complaint with respect to the services provided to a client.

20. SUBSEQUENT EVENTS

Since the end of the financial period, the directors have declared an interim dividend of 2.0 cents per share franked to 100%. The dividend will be paid to eligible shareholders on 15th April 2021. The record date for dividend entitlement is 1st April 2021. The Company also announced the suspension of its Dividend Reinvestment Plan (**DRP**) effective from 18th February 2021 until further notice.

On 19th February 2021, the Group dispatched its Target's Statement in response to a Bidder's Statement, which was dispatched by 360 Capital Group (ASX: TGP), on 4th February 2021. Refer to the respective ASX Announcements for further detail on these Statements. After ASX market close on 24th February 2021, TGP declared its offer unconditional and extended the offer period until 31st March 2021.

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

Directors' declaration

The directors declare that:

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

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

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

On behalf of the Directors,

David Evans
Director

Sally Herman
Director

Dated: 25th February 2021

Independent auditor's review report

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Review Report
to the members of E&P Financial Group Limited

Conclusion

We have reviewed the half-year financial report of E&P Financial Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independent auditor's review report *(cont.)*

Deloitte.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 25 February 2021

E&P