

EUROZ LIMITED  
**2018**  
ANNUAL REPORT



EUROZ





Euroz Limited is a diversified  
financial services company

## CORPORATE DIRECTORY

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### REGISTERED OFFICE

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PERTH WA 6000  
Telephone: (08) 9488 1400  
Facsimile: (08) 9488 1477  
Email: info@euroz.com  
Website: www.euroz.com

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### SHARE REGISTRY

**Computershare Investor Services Pty Ltd**  
Level 11  
172 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 787 575

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### AUDITOR

**PKF Chartered Accountants**  
Level 4  
35 Havelock Street  
WEST PERTH WA 6005  
Telephone: 08 9426 8999

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### BANKERS

**Westpac Banking Corporation**  
109 St Georges Terrace  
PERTH WA 6000

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### BOARD OF DIRECTORS

**Andrew McKenzie**  
Executive Chairman

**Jay Hughes**  
Executive Director

**Greg Chessell**  
Executive Director

**Russell Kane**  
Executive Director

**Simon Yeo**  
Executive Director

**Anthony Brittain**  
Executive Director

**Robert Black**  
Executive Director

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### COMPANY SECRETARY

**Anthony Hewett**

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## FINANCIAL HIGHLIGHTS

GROUP FUM

**\$1.46b<sup>1</sup>**

MARKET CAPITALISATION

**\$201m<sup>1</sup>**

DIVIDENDS 11 CPS

**↑ 52%**

**\$211m**

FULLY FRANKED  
DIVIDENDS IN 18 YEARS

CASH & INVESTMENTS  
INCREASING

**\$139.4m<sup>1</sup>**

NET PROFIT AFTER TAX

**\$31.3m<sup>2</sup>**

1. As at 30 June 2018

2. Attributable to members



# EXECUTIVE CHAIRMAN'S REPORT

Euroz Limited reported a significant improvement in profitability over the past year with a net profit after tax (attributable to members) of \$31.3 million for the financial year ended 30 June 2018, representing a 61% uplift on the previous years' \$19.4 million result.

The Directors declared a final fully franked dividend of 9.25 cents per share (cps) which combined with the interim dividend of 1.75 cps brought the full year dividend to 11 cps (previous year 7.25 cps). This is a 52% increase on the previous full year dividend.

The group experienced broadly similar trading conditions to the previous year with improved performance fees being the driver for increased profitability and dividends.

An improvement in the value of our various investments has seen our total cash and investments increase to \$139.4 million (before final dividend payment).

Group Funds Under Management (**FUM**) has increased by 21.3% to \$1.46 billion from \$1.2 billion last year and we will continue to focus on building these recurring revenue streams.

We provide specific business updates as follows:

## Euroz Securities

Solid commodity prices and an improving Western Australian economy have driven another strong contribution from our securities business with brokerage revenues up slightly from the previous year. A strong second half equity capital market contribution, with approximately \$837 million of capital raisings completed this financial year, translated to similar overall corporate finance revenues to the previous year.

Our strategy to increase recurring revenues in our Securities business was re-affirmed with FUM increasing by 27% to \$301m this financial year.

## Entrust Private Wealth Management

Entrust Private Wealth Management Pty Ltd (**Entrust**) was acquired in July 2015 to provide a wealth management platform for all of our businesses. Entrust has reported a pleasing improvement in profitability versus the previous year driven by cost savings and FUM growth.

For perspective, we are pleased to note that Entrust has grown FUM organically from \$565 million at acquisition to \$801 million at 30 June 2018 (42% growth over 3 years). When combined with our Euroz Securities FUM of \$301 million this creates a business currently managing \$1.1 billion for high net worth clients.

Entrust will continue to grow organically whilst we also attempt to attract new advisers and pursue smaller bolt on acquisitions.

## Westoz Funds Management

The Listed Investment Companies Westoz Investment Company Limited (**Westoz**) and Ozgrowth Limited (**Ozgrowth**) are strongly connected to their investment universe of Western Australian connected companies.

Strong investment performance achieved from both Westoz and Ozgrowth with respective investment performance of 39.1% and 30.7% for the financial year. These excellent returns enabled both funds to provide substantial end of year performance fee income to the manager. Over the past 13 years Westoz and Ozgrowth have returned \$147 million in fully franked dividends to their shareholders.

Our significant long term investments in Westoz and Ozgrowth will continue to have a material effect on our reported profitability. During the past financial year the higher share prices of Westoz and Ozgrowth contributed \$7.4 million after tax to our Group profitability (on a non-cash basis).



**Euroz Limited reports a \$31.3m (61% uplift) net profit after tax attributable to members.**

### Prodigy Investment Partners

Prodigy Investment Partners Limited (**Prodigy**) was established in July 2014 as a platform to create a quality, multi boutique funds management business. Our two existing boutique partnerships have grown to three with the post balance date announcement of a partnership with Equus Point Capital Pty Ltd (**Equus**). We believe this Australian focussed market neutral strategy will find good support in the growing alternative investment segment in which we are now developing a number of strong brands.

Our two existing partnerships report the following progress for the financial year:

- Flinders Investment Partners

Strong gross investment performance of 34.2% for the financial year and performance since inception of 18.3% p.a. strengthens our commitment to this partnership. Current FUM of \$18 million and as Flinders approach a solid 3 year track record we are pleased to see increased investor engagement and believe the market will better reward their strong investment returns with improved inflows in the coming 12 months.

- Dalton Street Capital

Solid gross investment performance of 18.3% for the financial year and performance since inception of 14.8% p.a. Strong support from early adopter research and platform providers continue to underpin consistent monthly FUM growth to \$89 million at 30 June 2018 and we are excited about the FUM growth prospects for this two year old partnership.

On 16 August 2018 Euroz announced that it had entered into a new partnership with Equus through the Prodigy joint venture. Equus is a market neutral strategy focusing on Australian equities. We believe it is the first of its kind in the Australian market. Equus will target a return of 7.5%-12.5% p.a. above benchmark using a systematic approach to harvest both positive and negative momentum in a risk controlled environment. The Equus team led by Co-Founders and Portfolio Managers Rob Stewart and Toby Masters have been successfully managing this specific strategy for the last 18 months.

### Summary

Euroz Limited has pursued a very deliberate and incremental diversification strategy over the past 4 years which combined with a positive resources market has delivered an excellent result to all shareholders this year. Your Directors are very pleased this broad contribution from our various businesses has enabled us to record the best full year dividend since 2011.

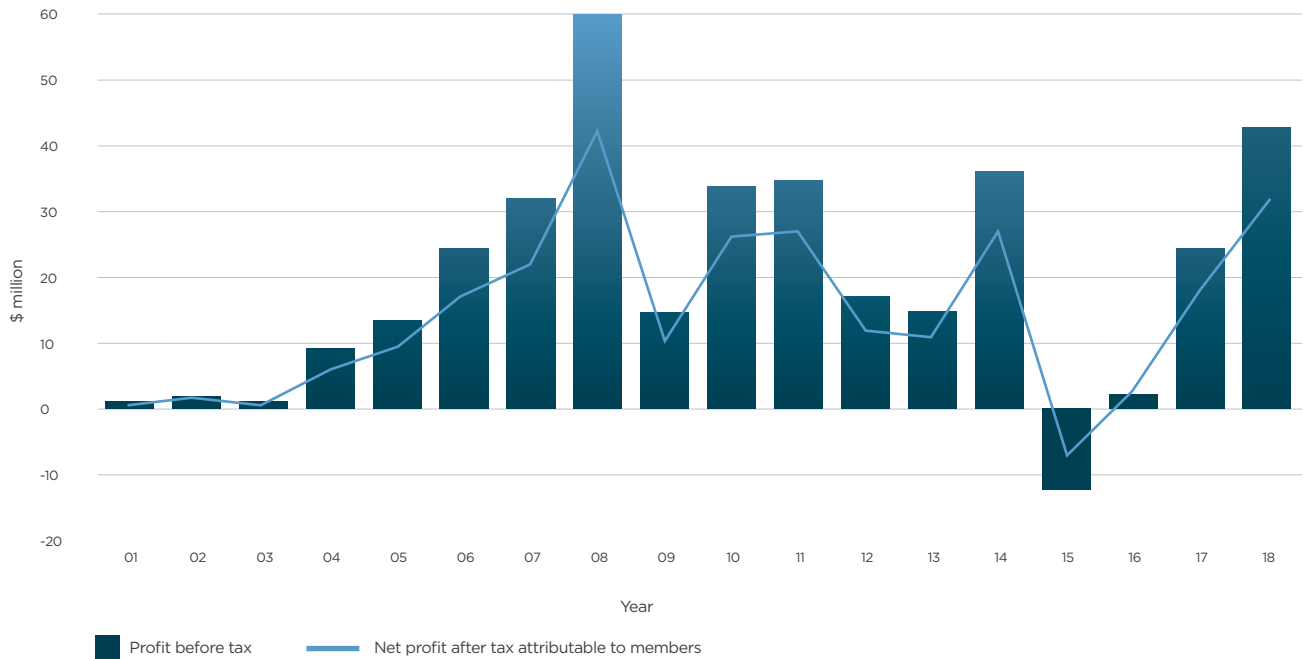
This result is an accumulation of the very significant efforts of our greatest asset, our staff, who as our largest shareholders remain committed to growing this proudly Western Australian diversified financial services company.

Euroz Limited has now paid \$211 million in fully franked dividends to shareholders across our 18 year history.

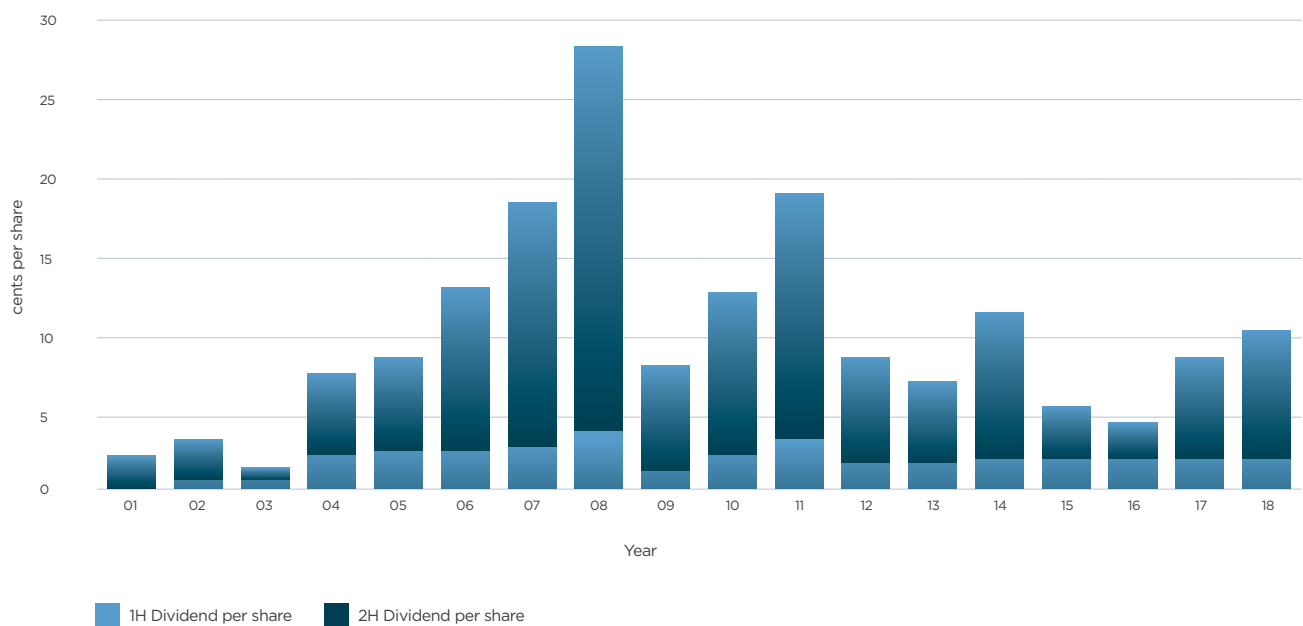
**ANDREW MCKENZIE**  
Executive Chairman



## EUROZ LIMITED PROFIT BEFORE TAX & NET PROFIT AFTER TAX

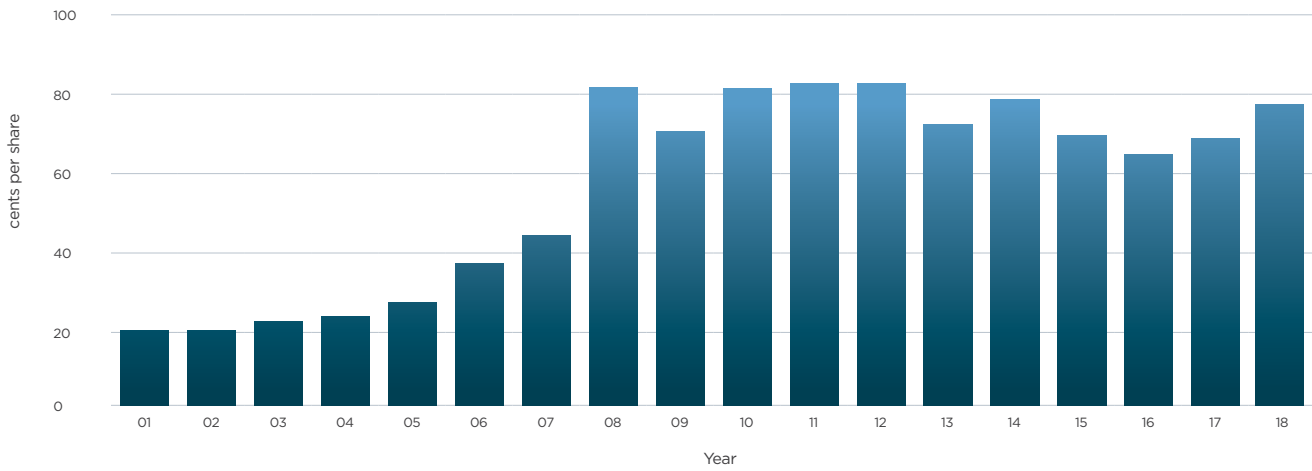


## EUROZ LIMITED DIVIDEND HISTORY

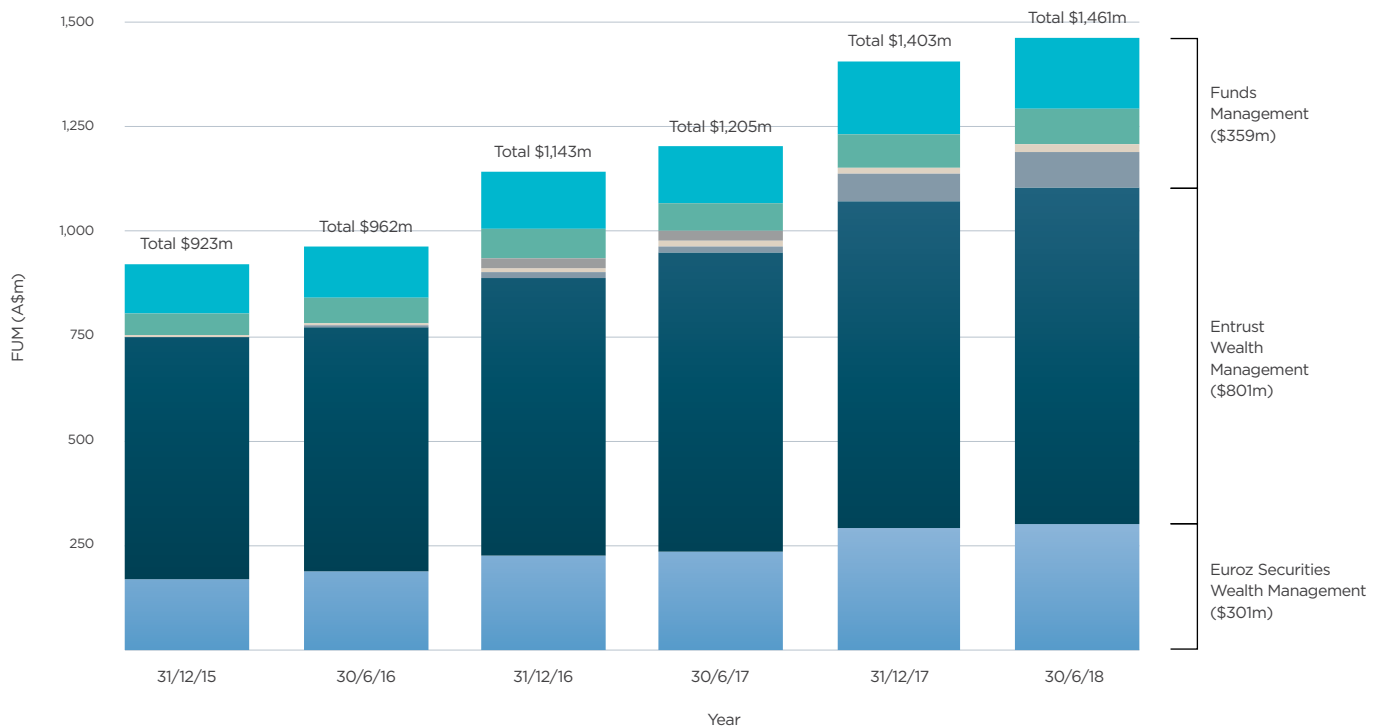




## EUROZ LIMITED NTA PER SHARE



## EUROZ GROUP FUNDS UNDER MANAGEMENT (FUM)



Note: PFM (\$24m) Precision Funds Management removed from 01/07/2017 as no longer a corporate authorised representative.

- WIC (\$171m)
- OZG (\$81m)
- Flinders (\$18m)
- Dalton Street (\$89m)
- Entrust (\$801m)
- Euroz (\$301m)

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# BOARD OF DIRECTORS

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## Euroz Limited Directors Profiles

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**Andrew McKenzie**  
Executive Chairman

Andrew is Executive Chairman of Euroz Limited and Euroz Securities Limited and is an Executive Director of Westoz Funds Management, Dalton Street Capital, Prodigy Investment Partners, Flinders Investment Partners and Equus Point Capital. Andrew is a former board member of the Stockbrokers and Financial Advisers Association of Australia (SAFAA). He is a board member of the PLC Foundation and a PLC Council member. Andrew holds a Bachelor of Economics from the University of Western Australia (UWA) and is an individual member (MSAFAA) of SAFAA.



**Jay Hughes**  
Executive Director

Jay has worked in stockbroking since 1986, starting his career on the trading floor. He is Non-Executive Chairman of Westoz Investment Company and Ozgrowth Limited and an Executive Director of Westoz Funds Management, Euroz Securities Limited and Prodigy Investment Partners. He is an Institutional Adviser specialising in promoting Australian stocks to international clients. Jay holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia (FINSIA). He was recognised as an affiliate of the ASX in December 2000 and is an individual member (MSAFAA) of SAFAA.



**Russell Kane**  
Executive Director

Russell has worked in the stockbroking industry since 1994 and joined Euroz Securities in 2001. Russell is an Executive Director of Euroz Limited and Euroz Securities Limited. He holds a Bachelor of Business from Edith Cowan University and is responsible for servicing both domestic institutions and high net worth clients, with a particular emphasis on WA based resources and industrials stocks.



**Simon Yeo**  
Executive Director

Simon has worked in the Stockbroking industry since 1993. In November 2000 he established the Private Client Division of Euroz Securities Limited before moving to a specialised role within our Institutional Sales division in 2013. Simon is an Executive Director of Euroz Limited and Euroz Securities Limited. Simon holds a Bachelor of Commerce from UWA and was previously a chartered accountant. He is also on the board of The Australian Chamber Orchestra (ACO). Simon is the Chairman of the Audit and Risk Committee.



**Rob Black**  
Executive Director

Rob has been working in the stockbroking industry since 1995 and has spent time based in Sydney, Melbourne and London. Rob is the Managing Director of Euroz Securities and Head of our Institutional Sales division and is responsible for servicing domestic and international institutions. Rob is a Director of Entrust Private Wealth Management Pty Ltd. Rob holds a Bachelor of Business in Finance and Accounting from Edith Cowan University and is a Graduate of the Australian Institute of Company Directors (AICD).



**Greg Chessell**  
Executive Director

Greg is a Director of Corporate at Euroz Securities Limited. He recently transitioned from the role of Analyst and Head of Research at Euroz, a position he held since Euroz Securities commenced operations. Greg worked as geologist in WA for 10 years prior to entering the stockbroking industry in 1995. Greg is an Executive Director of Euroz Limited and Euroz Securities Limited. Greg holds a Bachelor of Applied Science in Geology from the University of Technology, Sydney (UTS) and a Graduate Diploma in Business from Curtin University. Greg is a member of the Audit and Risk Committee.



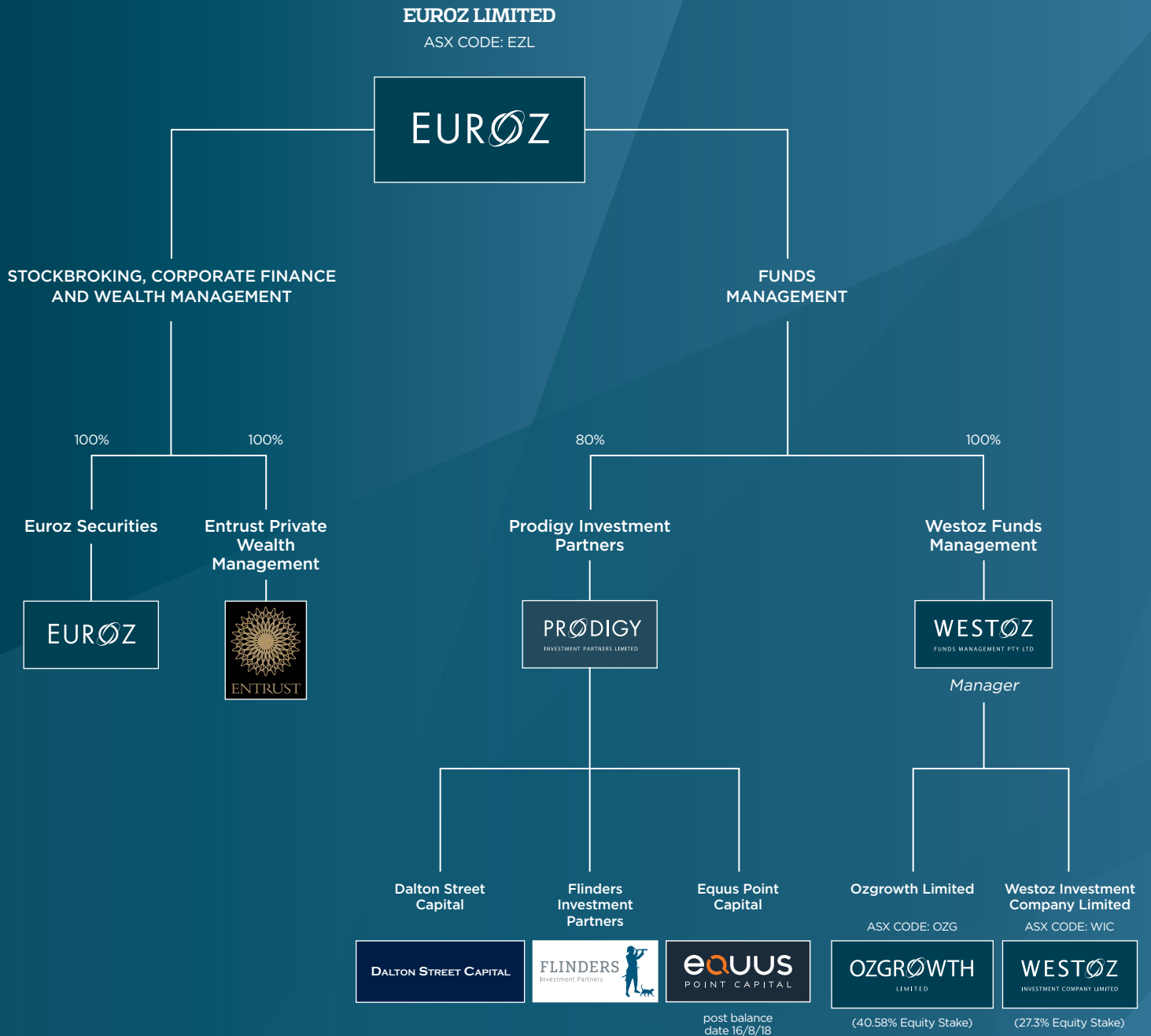
### **Anthony Brittain**

Executive Director

Anthony is the Chief Operating and Financial Officer and an Executive Director of Euroz Limited, Euroz Securities Limited, Entrust Private Wealth Management, Prodigy Investment Partners, Flinders Investment Partners, and Dalton Street Capital and Equus Point Capital. Prior to joining Euroz, Anthony spent 7 years with a WA based stockbroker. Anthony started his career with KPMG (and antecedent firm Touche Ross) with transfers to Guam and Singapore. He then worked in London and Singapore for 7 years with a UK fund manager. Anthony holds a Bachelor of Commerce from UWA, is a member of Chartered Accountants Australia and New Zealand (CA), holds a Graduate Diploma in Applied Finance and Investment from FINSIA, is a Graduate of AICD and is an individual member (MSAFAA) of SAFAA. Anthony is a member of the Audit and Risk Committee.



# EUROZ GROUP STRUCTURE



## MANAGING DIRECTOR'S REPORT

An 18 year history of providing Research, Private Client advice, Institutional Sales and Corporate Finance services

Euroz Securities Limited (**ESL**) provides Stockbroking, Corporate Finance and wealth management services and has an 18 year history of providing Research, Private Client advice, Institutional Sales and Corporate Finance services

During the 2017/18 Financial Year, ESL continued to leverage an improved Western Australian economic environment, along with sustained strength in commodity prices and mining and related services sectors, to report a Net Profit after Tax to the group of approximately \$11.8 million, significantly higher than the previous year's contribution of \$9.2 million.

Brokerage levels across both our Institutional and Private Client desks improved over the period, as did our Funds under Management (**FUM**) growth within ESL which finished the period at \$301 million.

Likewise, we saw a continued positive level of corporate transactions undertaken during the year, with approximately \$837 million of new equity raised for corporate clients over the period, similar to last year's raisings totalling \$861 million

This solid result for the year validated our long term strategy, to leverage deal flow from WA related companies through high quality research, dealing and corporate finance services.

To complement this strategy we are fortunate to have the services of a number of highly skilled investment professionals, most of whom have been long standing members of our team and are themselves significant shareholders of Euroz Limited. This alignment will continue to deliver results for shareholders over future years.



**ROB BLACK**  
*Managing Director*



# CORPORATE TRANSACTIONS

Supporting our clients on major transactions during 2018.

 <p>Placement <b>\$7.7 million</b> Joint Lead Manager, Bookrunner &amp; Underwriter Euroz Securities Ltd Jul 17, Nov 17</p>	 <p>Placement <b>\$20 million</b> Joint Lead Manager Euroz Securities Ltd Aug 17</p>	 <p>ANREOs <b>\$135 million</b> Joint Lead Manager &amp; Underwriter Euroz Securities Ltd Aug 17</p>	 <p>Placement <b>\$31.8 million</b> Lead Manager, Global Co-Ordinator &amp; Sole Bookrunner Euroz Securities Ltd Sep 17</p>	 <p>Placement <b>\$11 million</b> Sole Lead Manager Euroz Securities Ltd Oct 17</p>	 <p>Placement <b>\$15 million</b> Joint Lead Manager Euroz Securities Ltd Oct 17</p>
 <p>Placement <b>\$3.6 million</b> Joint Lead Manager Euroz Securities Ltd Dec 17</p>	 <p>Placement <b>\$29 million</b> Sole Lead Manager Euroz Securities Ltd Dec 17, Mar 18</p>	 <p>Renounceable Entitlement Offer <b>\$20.9 million</b> Sole Lead Manager &amp; Underwriter Euroz Securities Ltd Mar 18</p>	 <p>Placement &amp; ANREO <b>\$331 million</b> Joint Lead Manager &amp; Underwriter Euroz Securities Ltd Mar 18</p>	 <p>Placement <b>\$3.5 million</b> Sole Lead Manager Euroz Securities Ltd Mar 18</p>	 <p>Placement <b>\$39.2 million</b> Sole Lead Manager Euroz Securities Ltd Mar 18</p>
 <p>Placement <b>\$31 million</b> Sole Lead Manager Euroz Securities Ltd Apr 18</p>	 <p>Placement <b>\$35 million</b> Joint Lead Manager Euroz Securities Ltd May 18</p>	 <p>Placement <b>\$16 million</b> Sole Lead Manager Euroz Securities Ltd May 18</p>	 <p>Placement <b>\$7 million</b> Sole Lead Manager Euroz Securities Ltd Jun 18</p>	 <p>Placement &amp; Rights Issue <b>\$11.3 million</b> Sole Lead Manager &amp; Underwriter Euroz Securities Ltd Jun 18</p>	 <p>Placement <b>\$11 million</b> Joint Lead Manager Euroz Securities Ltd Jun 18</p>
 <p>Placement <b>\$3.75 million</b> Sole Lead Manager Euroz Securities Ltd Nov 17</p>	 <p>Placement <b>\$33.2 million</b> Sole Lead Manager Euroz Securities Ltd Nov 17</p>	 <p>Placement <b>\$16.5 million</b> Sole Lead Manager Euroz Securities Ltd Apr 18</p>	 <p>Placement <b>\$20 million</b> Sole Lead Manager &amp; Underwriter Euroz Securities Ltd Apr 18</p>	<p><b>EUROZ</b></p> <p>Supporting our clients on major transactions during FY18</p>	

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# EUROZ SECURITIES LIMITED

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## Directors Profiles



**Andrew Clayton**  
Executive Director

Andrew is a Research Analyst specialising in resource companies. He has worked in the stockbroking industry since 1994. Andrew holds a Bachelor of Science (Hons) in Geology from Melbourne University as well as a Diploma in Finance from FINSIA.



**Ben Laird**  
Executive Director

Ben has worked in the stockbroking industry since 2002. He is a Research Analyst responsible for covering industrial companies. He holds a Bachelor of Science, a Post Graduate Diploma in Finance from FINSIA and a Chartered Financial Analyst (CFA) designation.



**Brian Bates**  
Executive Director

Brian has over 20 years of experience in stockbroking, investment and superannuation management. Brian holds a Bachelor of Commerce from UWA, and was previously a chartered accountant before moving in to investment management. Brian is a senior member of the Private Client Division and offers a comprehensive wealth management service to high net worth individuals.



**Brian Beresford**  
Executive Director

Brian is the Head of our Corporate Finance Division. Prior to joining Euroz in 2011, Brian was a Partner at PwC where he led the Corporate Finance and M&A practice in Western Australia. He has provided corporate advice to clients across the resources, mining services, engineering and technology sectors for over 20 years. Brian holds a Masters in Finance from London Business School, a Bachelor of Commerce and Bachelor of Laws from UWA.



**Ben Statham**  
Executive Director

Ben completed a Bachelor of Economics from UWA before commencing employment with Macquarie Bank in 2000 where he left for Euroz in 2009 as one of their top advisors. Ben is a senior member of our Private Client Division and services high net worth families. Ben holds a Graduate Diploma in Applied Finance and Investment from FINSIA.



**Cameron Murray**  
Executive Director

Cameron has 20 years-experience in financial services and is a senior member of our Private Client Division. Having graduated from Curtin University with a Bachelor of Commerce majoring in Accounting and Finance he has been at Euroz since 2003. He has continued his studies through FINSIA and has completed a Graduate Diploma in Applied Finance and Investment. Cameron is an accredited Designated Trading Representative (DTR).





**Chris Webster**  
Executive Director

Chris is the Head of our Private Client Division. Chris has worked in financial services since 2003 holding a variety of positions in sales, operations, risk and compliance both in Perth and London. Chris is a Director of Entrust Private Wealth Management and the Euroz Charitable Foundation. Chris holds a Bachelor of Commerce from UWA, a Graduate Diploma of Applied Finance and a Graduate Diploma of Applied Corporate Governance. Chris is an individual member (MSAFAA) of SAFAA.



**David Riley**  
Executive Director

David has worked in the Euroz Corporate Finance team since 2012. Prior to joining Euroz, David was a senior consultant in the Transaction Tax team at Ernst & Young. David is a member of the Chartered Accountants Australia and New Zealand (CA) and holds a Graduate Diploma of Applied Finance through Kaplan Professional Education. David is currently completing a Graduate Diploma of Mineral Exploration Geoscience from the Curtin University School of Mines and also holds a Bachelor of Commerce/Science from the University of Western Australia.



**Gavin Allen**  
Executive Director

Gavin is a Research Analyst with 14 years experience specialising in detailed analysis and research of mid cap industrial companies. Prior to joining Euroz, Gavin held a senior position in the Corporate Finance division of a major accounting firm, specialising in the financial analysis of mergers and acquisitions. Gavin holds a Bachelor of Commerce, is a member of the Chartered Accountants Australia and New Zealand (CA) and holds a Chartered Financial Analyst (CFA) designation.



**James Mackie**  
Executive Director

James has been working in the stockbroking industry since 1998. James services high net worth investors and is a senior member of our Private Client Division. He holds a Bachelor of Commerce from Curtin University and a Graduate Diploma in Applied Finance and Investment from FINSIA.



**Jon Bishop**  
Executive Director

Jon is a Research Analyst focused on both the mining and oil and gas sectors. He has more than 10 years technical and commercial experience within the petroleum and minerals industries and a further 12 years experience in the financial services industry. Jon holds a Bachelor of Science (Hons) in Geology from UWA, as well as a Graduate Diploma in Applied Finance and Investment from FINSIA.



**Lucas Robinson**  
Executive Director

Lucas has been advising in the stockbroking industry since 1998. Lucas is a senior member of our Private Client Division and manages a variety of clients including high net worth investors. He holds a Bachelor of Commerce from UWA with a double major in Finance and Marketing and a minor in Business Law.

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# EUROZ SECURITIES LIMITED

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## Directors Profiles (Continued)



**Nick McGlew**  
Executive Director

Nick has over 20 years' experience in mergers, acquisitions, equity raisings, corporate and commercial law and corporate finance with major firms in Australia and the United States. He holds a Bachelor of Economics from UWA, a Bachelor of Laws from Bond University (First Class Honours) and a Master of Laws from New York University. Nick is a senior member of our Corporate Finance Division.



**Peter Schwarzbach**  
Executive Director

Peter has been working in the stockbroking industry since 2006 and is a member of our Institutional Sales Division. He holds a Bachelor of Commerce from UWA and has completed a Graduate Diploma in Applied Finance and Investment from FINSIA. Peter is also a member of the Chartered Accountants Australia and New Zealand (CA) and prior to joining Euroz was a senior accountant at a Perth chartered accounting firm.



**Paul Cooper**  
Executive Director

Paul has background in both stockbroking and investment banking. Prior to equities dealing he spent time based in Sydney and Singapore providing structured debt financing to resource companies. Paul holds a Bachelor of Commerce, as well as furthering his education through the Chartered Financial Analyst program and Chinese language studies.



**Ryan Stewart**  
Executive Director

Ryan has worked in the stockbroking industry for over 18 years and is a senior member of our Private Client Division. He started his career in Finance at BankWest as a member of the Equipment Finance Division servicing predominantly resource companies. His first stockbroking role started in 2000 at D J Carmichael and he commenced at Euroz in 2003. His role includes servicing his high net worth private client base and is also a Director of the Euroz Charitable Foundation.



**Tim Bunney**  
Executive Director

Tim has been working in the stockbroking industry since 2010 and is a member of our Institutional Sales Division. He holds a Bachelor of Commerce from Curtin University majoring in finance and management. He is currently undertaking post graduate study in geology and finance. Tim is a member of SAFAA institutional broking committee.



**Tim Lyons**  
Executive Director

Tim has worked in the stockbroking industry for over 25 years and is a senior member of our Private Client Division. Tim was previously Executive Chairman of Blackswan Equities where his role included maintaining the firm's corporate relationships and servicing his high net worth private client base. Tim was also a partner at Porter Western Limited until it was acquired by Macquarie Bank.

# WEALTH MANAGEMENT

## Entrust Private Wealth Management

Entrust Private Wealth Management Pty Ltd (Entrust) commenced in 2002 and provides its clients with financial planning and tailored investment advice. Entrust has client Funds Under Management (FUM) of \$801m at 30 June 2018.

Entrust was acquired by Euroz Limited in July 2015. Entrust employs 20 staff, including 10 advisers, 2 para-planners and a portfolio administration team.

During the 2018 financial year (FY18) the management team focus was on growing the FUM and we are pleased to report growth in FUM of 12.3% for the financial year.

Through a combination of revenue growth and strong focus on cost reduction, Entrust reported a significant improvement in profitability versus the prior year.

We have been progressing the roll out of our private wealth offering across Euroz Securities Limited (Euroz Securities), progressing organic growth opportunities in the High Net Worth (HNW), Not-for-Profit and Self-Managed Super Fund (SMSF) sector. Entrust's primary focus is to continue organic growth opportunities in the HNW and Not-for-Profit sector and leverage the existing capability in the SMSF sector, the fastest growing component of the Australian superannuation system.

We continue to pursue bolt on acquisitions and have evaluated numerous adviser acquisition opportunities during the period but sellers' price expectations remain too high in our view.

## Directors Profiles



**Andrew Fry**  
Executive Chairman

Andrew joined Entrust Private Wealth Management Pty Ltd in January 2003 and served as Managing Director from July 2014 until his appointment to Executive Chairman in December 2017. He holds a Bachelor of Commerce from Murdoch University and was admitted as a Chartered Accountant by the Chartered Accountants Australia and New Zealand (CA) in 1996.



**Brad Gordon**  
Director

Brad joined Entrust Private Wealth Management Pty Ltd as a Senior Investment Adviser in January 2003 and was appointed an Executive Director in November of that year. He has almost 30 years experience in the financial services industry, in financial planning, stockbroking and trustee services. Brad is a Senior Associate of FINSIA, a member of the Financial Planning Association (DipFP FPA) and also a member of AICD. Brad is also a recognised Self-Managed Superannuation Fund Specialist and a tax (financial) adviser under the Tax Practitioners Board.



**Rowan Jones**  
Director

Rowan joined Entrust Private Wealth Management Pty Ltd in January 2008 and was appointed an Executive Director in September 2016. He holds a Bachelor of Commerce from Curtin University, a Graduate Diploma of Applied Finance and Investment from FINSIA and he is a Self Managed Superannuation Fund Specialist adviser through the SMSF Association.

Prior to joining Entrust, Rowan spent ten years as a professional sportsperson in the AFL with the West Coast Eagles Football Club.

# FUNDS MANAGEMENT

## Westoz Funds Management

Westoz Funds Management Pty Ltd (WFM) is responsible for \$252 million of funds under management at 30 June 2018 (2017: \$202 million).

It manages funds under mandate from two listed investment companies; Westoz Investment Company Limited (**WIC**) and Ozgrowth Limited (**OZG**). WIC commenced its investment activities in May 2005, with OZG commencing in January 2008. Both investment mandates focus on the generation of the target level of returns from investment in small to mid-cap ASX listed securities, generally with a connection to Western Australia.

Both portfolio's have produced returns in excess of comparable equity benchmarks with investment performance of 39.1% (**WIC**) and 30.7% (**OZG**) for the financial year.

WIC and OZG have paid \$147 million in dividends to shareholders since inception.

## Directors Profiles



**Philip Rees**  
Executive Director

In August 2018 Mr Philip Rees transitioned to a Non-Executive Director role. Prior to this, Mr Philip Rees was an Executive Director of Westoz Funds Management Pty Ltd and was responsible for the operation and development of the manager's business. Mr Rees has worked in a range of roles focused on Australian investment markets for the last 30 years. He has previously managed large institutional investment portfolios and developed several early stage investment opportunities until he joined Westoz in April 2005. Mr Rees remains actively engaged within WFM and is on the Investment Committee.



**Dermot Woods**  
Executive Director

Mr Dermot Woods is an Executive Director of Westoz Funds Management Pty Ltd and oversees the construction of its investment portfolios.

Mr Woods joined Westoz Funds Management Pty Ltd in 2007. He has previously worked as an industrial analyst for Euroz Securities Limited and prior to this role, as a fund manager specialising in European equities.

# FUNDS MANAGEMENT

## Prodigy Investment Partners Limited

Prodigy Investment Partners Limited (Prodigy) is a multi-boutique investment management business. Prodigy is an 80/20 partnership between the Euroz Limited and Mr Stephen Tucker.

Prodigy looks to partner with talented investment management executives in an innovative partnership business model. Prodigy's focus is on creating boutiques that employ limited capacity, high value adding strategies. We believe these strategies are increasingly attractive to the market, and with limited capacity, allow us to include a performance based component in the pricing.

During the 2018 financial year, Prodigy had two partner boutique managers: Flinders Investment Partners Pty Ltd (**Flinders**) and Dalton Street Capital Pty Ltd (**Dalton Street**).

Flinders is a specialist Small Companies investment manager, with principals Dr Andrew Mouchacca, Richard Maccougall and Naheed Rahman. Significant progress has been made in positioning Flinders to gain market share in specific retail and institutional markets over the past year.

Dalton Street is a specialist Absolute Return investment manager, established in June 2016. Dalton Street Capital is overseen by its principal Portfolio

Manager, Alan Sheen, who was previously at Credit Suisse. Dalton Street's approach is predominantly quantitatively based. Alan has successfully run this strategy for over 10 years, delivering strong absolute returns, with low correlation to traditional asset classes. We believe that this is an attractive strategy in the high net wealth and retiree markets.

On 16 August 2018 Prodigy and Euroz announced that they had entered into a new partnership with Equus Point Capital Pty Ltd (**Equus**) through the Prodigy joint venture. Equus is a market neutral strategy focusing on Australian equities. We believe it is the first of its kind in the Australian market. Equus will target a return of 7.5%-12.5% p.a. above benchmark using a systematic approach to harvest both positive and negative momentum in a risk controlled environment. The Equus team led by Co-Founders and Portfolio Managers Rob Stewart and Toby Masters have been successfully managing this specific strategy for the last 18 months.



**Stephen Tucker**  
Executive Chairman

Steve has over 25 years' experience in financial services. Steve started his career with MLC, worked in superannuation, ran MLC's advice networks, led MLC Investments and finally took over as CEO in 2004. Steve was appointed to the Group Executive of NAB in 2009, responsible for MLC and NAB Wealth. Most recently Steve founded Prodigy, where he is Executive Chairman. Steve is also Independent Chairman of Koda Capital and a Non-Executive Director of The Banking and Finance oath.



**Lewis Bearman**  
Partner and Chief Operating Officer

Lewis brings over 30 years of financial services experience. He held senior roles at Perennial Investment Partners (2003 to 2014), including Chief Operating Officer and Chief Executive Officer. Lewis spent 17 years with County Investment Management (later becoming INVESCO). Lewis has held senior positions in operations, funds management, and various other teams. Lewis joined Prodigy in 2015 as Chief Operating Officer and is a Director of Prodigy.



**Aman Kashyap**  
Wholesale Sales Director

Aman brings over 17 years of financial services experience specialising in asset management sales. During this time, he has held senior positions in distribution at Ophir Asset Management, NAB Asset Management and ANZ Wealth where his key focus was developing and executing the sales strategy for asset management in the institutional, HNW and retail investment markets. Aman joined Prodigy in early 2017 as Wholesale Sales Director and is responsible for fund raising efforts in the Institutional, Private Wealth and Family Office markets for Prodigy boutique partners.



**Guy Ballard**  
Director Distribution

Guy has worked in financial services for over 17 years. In this time he held senior distribution roles with both BT Financial Group (2001 to 2005) and MLC (2006 to 2016) where his key focus was developing and executing the sales strategy for the asset management, platform and margin lending businesses targeting the Independent Financial Advice market. Guy joined Prodigy in 2016 as Director of Distribution and is responsible for funds under management growth across our boutiques.

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# FUNDS MANAGEMENT

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## Flinders Investment Partners Pty Ltd

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**Andrew Mouchacca**  
Partner and Portfolio Manager

Andrew began his career in investment management in 1999. Before establishing Flinders Investment Partners Pty Ltd, Andrew was Senior Investment Manager with the institutional focused fund manager Contango Asset Partners (1999 to 2014). He was the Portfolio Manager of the Small Companies Fund (2009 to 2014) and specialised in the analytical coverage of a range of sectors. His analytical experience has focused on the emerging companies through his involvement in dedicated products in both the small and microcap universe.



**Richard Macdougall**  
Partner and Portfolio Manager

Richard began his career in equity markets in 1985. Before establishing Flinders Investment Partners Pty Ltd, Richard was a Partner and Portfolio Manager with the Australian Equities boutique Perennial Growth (2004 to 2015). Prior to this, Richard was a founding executive of Contango Asset Management and a Director of Salomon Smith Barney Australia. He has spent time offshore including roles as Head of Research at ANZ Securities New Zealand and Managing Director of ANZ Securities UK.



**Naheed Rahman**  
Partner and Deputy  
Portfolio Manager

Naheed began his career in investment management in 2006. Prior to joining Flinders Investment Partners Pty Ltd, Naheed was an Investment Analyst at Contango Asset Management for over seven years, working closely with Andrew Mouchacca, where he covered several sectors primarily with an emerging companies focus. He began his career at Warakirri Asset Management as a Portfolio Analyst, conducting fund manager research as well as the dealing of securities.

## Dalton Street Capital Pty Ltd

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**Alan Sheen**  
Partner and Portfolio Manager

Alan is a co-founder of Dalton Street Capital Pty Ltd. Alan was previously Head of Proprietary Trading for Credit Suisse Australia managing systematic investing and trading across the Asia Pacific region. Prior to this Alan's roles included Portfolio Manager at AMP Capital Investors, Chief Investment Officer at Challenger Ltd and Chief Investment Officer and Managing Director at Austock Asset Management. In these roles Alan has been responsible for managing very large portfolios and businesses. Alan commenced trading equities, futures and options in 1996.



**Nick Selvaratnam**  
Director

Nick is a co-founder of Dalton Street Capital Pty Ltd. Nick was previously Managing Director and Head of Equities, most recently with investment bank Credit Suisse. Nick has over 27 years' experience in the investment banking field - directly participating in, and successfully managing, top-tier teams across equities research, sales & trading, derivatives, prime services and equity capital markets. Nick's experience prior to investment banking includes 8 years as a Chartered Accountant in Australia and the UK. He graduated with an Honours degree in Civil Engineering.

# EUROZ CHARITABLE FOUNDATION

Euroz are proudly West Australian focused and believe we have an obligation to give back to Western Australian charities in need.

In 2006, the Euroz Charitable Foundation was formed in a Private Ancillary Fund (PAF) structure through which Euroz could make donations, invest these funds and make distributions to worthy charities and contribute to the broader community.

The businesses within Euroz and many of our staff members have made consistent donations to the Foundation.

The funds of the Foundation continue to contribute and make a difference to Western Australian charities. During the past 12 years, the Euroz Charitable Foundation has donated in excess of \$1,208,950 to a broad range of charities in Western Australia. In addition to financial support, employees of the Euroz Group are encouraged to volunteer their time to charities in and around their communities.

The Euroz Charitable Foundation has been delighted to support the following charities, amongst many others over the past years:



# 2018 FINANCIAL REPORT







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# Directors' Report

For the year ended 30 June 2018

The Directors present their report on the consolidated group consisting of Euroz Limited and the entities it controlled at the end of, or during the year ended 30 June 2018.

## 1. DIRECTORS

The following persons were Directors of Euroz Limited (**Euroz**) at any time during or since the end of the financial year and up to the date of this report:

### EXECUTIVE CHAIRMAN

Andrew McKenzie

### EXECUTIVE DIRECTORS

Jay Hughes  
Greg Chessell  
Russell Kane  
Simon Yeo  
Anthony Brittain  
Robert Black (appointed 1 August 2017)  
Doug Young (retired 1 July 2017)

## 2. COMPANY SECRETARY

Anthony Hewett continues in his role as Company Secretary. Mr Hewett holds a Master of Business Law, a Graduate Diploma in Applied Corporate Governance and is a Fellow of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia and a member (MSAFAA) of the Stockbrokers and Financial Advisers Association of Australia.

## 3. PRINCIPAL ACTIVITIES

During the year the principal activities of the Euroz group consisted of:

- (a) Stockbroking (including Corporate Finance);
- (b) Funds Management;
- (c) Investing; and
- (d) Wealth Management.

## 4. REVIEW OF RESULTS

The consolidated group has a consolidated pre-tax profit of \$42.9 million (2017: \$24.1 million) for the year ended 30 June 2018.

The consolidated net profit after tax attributable to members was \$31.3 million compared with the 2017 year consolidated net profit after tax attributable to members of \$19.4 million. This result represents basic earnings per share of 19.91 cents (2017: 12.30 cents).

The Directors have declared a final dividend of 9.25 cents per share fully franked which combined with the interim dividend of 1.75 cents per share, represents a total dividend of 11 cents per share fully franked.

## 5. REVIEW OF OPERATIONS

	Segment Revenues		Segment Results	
	2018	2017	2018	2017
	\$	\$	\$	\$
Stockbroking & Corporate Finance Activities	41,537,285	38,649,093	10,153,858	7,905,662
Principal Trading	10,149,130	8,126,664	803,614	548,044
Funds Management	13,626,793	3,406,028	3,735,118	(1,817,750)
Investment Income	4,177,883	3,208,618	12,525,095	9,322,250
Wealth Management	8,944,689	8,109,366	2,115,640	1,973,156
	<b>78,435,780</b>	<b>61,499,769</b>	<b>29,333,325</b>	<b>17,931,362</b>

The major driver of this improved result is due to increases in share prices for Westoz Investment Company Limited (**WIC**) and Ozgrowth Limited (**OZG**), performance fee income, Equity Capital Markets (**ECM**) activity and growth in group Funds Under Management (**FUM**). Euroz Securities Limited (**Euroz Securities**) business raised \$837 million of new equity this financial year for our corporate clients. WIC and OZG have reported gross investment performance for the year of 39.1% and 30.7% respectively. The mark to market share prices of these companies can have a major accounting effect on our reported profits and this year have contributed approximately \$7.4 million after tax to our headline profitability. Group FUM has increased by 21.3% to \$1.46 billion as at 30 June 2018 from \$1.2 billion as at 30 June 2017.

# Directors' Report (Cont'd)

For the year ended 30 June 2018

## 6. OPERATING AND FINANCIAL REVIEW

The purpose of this review is to set out information that shareholders may require to assess Euroz's operations, financial position, business strategies and prospects for future financial years. This information complements and supports the report presented herein.

## 7. DISCLOSURE OF OPERATIONS

The consolidated group is principally involved in the following activities:

- (a) Stockbroking & Corporate Finance Activities;
- (b) Funds Management;
- (c) Investing; and
- (d) Wealth Management.

Our operations are conducted over several locations with Perth, Western Australia (WA) being our main office. Other offices are in Sydney, New South Wales and Melbourne, Victoria focusing on Funds Management opportunities. Details of our operations are outlined below:

### (a) Stockbroking & Corporate Finance Activities

The Euroz Securities operations comprise 4 main divisions as follows:

#### i Equities Research

- Highly rated research from market leading research team of 6 analysts
- Our views are highly regarded by Australian and international institutional investors
- Access to the latest online news and financial information
- Based on fundamental analysis, strict financial modelling and regular company contact
  - Goal: Identify and maximise equity investment opportunities for our clients
  - Approach: Intimate knowledge of the companies we cover
  - Coverage: Broad cross section of mostly WA based industrial & resource companies
- Research Products:
  - Morning Note: Overnight market updates
  - Weekly Informer: Compilation of all company reports throughout the preceding week
  - Quarterly and / or Semi-annual Review: Regular coverage on mid-cap companies in book format
  - Company Reports: Detailed analysis on companies as opportunities emerge

#### ii. Institutional Dealing

- One of the largest institutional small to mid-cap dealing desks in the Australian market
- Extensive client base of Australian and International institutional investors with strong relationships with small company fund managers
- Distribution network strength - long standing relationships with major institutional investors in the small to mid-cap market
- Western Australia's geographic isolation makes it difficult for institutional investors to maintain close contact with companies based here - investors can rely on our "on the ground" information
- Institutional dealing team "highly focused" on providing the following services:
  - Quality advice and idea generation
  - Efficient execution
  - Regular company contact
  - Site visits
  - Roadshows

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 7. DISCLOSURE OF OPERATIONS (CONT'D)

#### (a) Stockbroking & Corporate Finance Activities (cont'd)

##### iii. Private Clients

- A unique and predominantly "high net worth" client base (s.708 compliant investors)
- Significant capacity to support new issues and construct quality retail share registers
- Exposure to high net worth clients via in-house conferences and one-on-one presentations
- Team of highly experienced and qualified private client advisors providing a broader investment offering for clients of Euroz. With a wealth management service which provides strategic investment advice, superannuation advice, investment management and portfolio administration service
- Funds Under Management (FUM) of \$301 million (2017: \$237 million) with the majority on our in-house portfolio administration service
- Extensive research support - high quality research on WA based resource and industrial companies enable our advisors to provide quality investment and trading advice
- Specialised broking allows:
  - Close interaction between research analysts and private client advisors
  - Timely communication of ideas with clients
- Sophisticated investors are able to participate in many of our corporate capital raisings

##### iv. Corporate Finance

- The corporate finance business is focused on developing strong, long term relationships with our clients.
- Clients are provided with specialised Corporate Advisory services in:
  - Equity Capital Raisings and Underwriting
  - Mergers and Acquisitions
  - Strategic Planning and Reviews
  - Privatisation and Reconstructions
- Established track record in raising equity capital via:
  - Initial Public Offerings (IPO)
  - Placements
  - Rights Issues

#### (b) Funds Management

Westoz Funds Management Pty Ltd (**WFM**) is responsible for managing FUM of \$252 million (2017: \$202 million). It manages funds under mandate from two listed investment companies; Westoz Investment Company Limited (**WIC**) and Ozgrowth Limited (**OZG**). Both companies have enjoyed competitive portfolio returns since inception.

WIC commenced its investment activities in May 2005, with OZG commencing in January 2008. Both investment mandates focus on the generation of the target level of returns from investment in small to mid-cap ASX listed securities, generally with a connection to Western Australia. Both portfolios have produced returns in excess of comparable equity benchmarks.

WIC and OZG have now paid \$147.5 million in dividends to shareholders since inception.

Prodigy Investment Partners Limited (**Prodigy**) is a funds management partnership with Euroz owning 80% and Mr Steve Tucker, Executive Chairman, owning 20%. The first boutique funds management partnership, Flinders Investment Partners Pty Ltd (**Flinders**) was launched in 2015 via the Flinders Emerging Companies Fund. The second boutique, Dalton Street Capital Pty Ltd (**Dalton**) was launched in 2016 via the Dalton Street Absolute Return Fund. A third boutique, Equus Point Capital Pty Ltd (**Equus**) is a market neutral strategy which was announced post balance date on 16 August 2018.

#### (c) Investing

Euroz Limited owns significant shareholdings of 40.58% in Westoz Investment Company Limited (WIC.ASX) and 27.3% in Ozgrowth Limited (OZG.ASX). The investment focus of these funds is on small to mid-cap ASX securities with a general connection to Western Australia.

Euroz Limited has also invested directly in units in the Flinders Emerging Companies Fund and Dalton Street Absolute Return Fund.

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 7. DISCLOSURE OF OPERATIONS (CONT'D)

#### (d) Wealth Management

In July 2015, Euroz Limited acquired Entrust Private Wealth Management Pty Ltd (**Entrust**) which has a 15 year track record as a leading wealth management business. The strategy in acquiring Entrust was to leverage an established wealth management business with long term ongoing revenues as a platform for further acquisitions and organic growth. The past year has seen further integration of these operations with the rest of our businesses to realise operational synergies and develop stronger links with our stockbroking operations.

Entrust has a significant high net worth client base with FUM of \$801 million (2017: \$713 million).

### 8. DISCLOSURE OF OPERATIONS — PROFIT

Net profit after tax attributable to members was \$31.3 million compared to \$19.4 million in the 2017 financial year.

### 9. DISCLOSURE OF OPERATIONS - SALES

Revenue has increased by 27.5% to \$78.4 million from \$61.5 million. The group experienced broadly similar trading conditions to the previous year with significantly improved performance fees being the driver for increased profitability and dividends.

#### (a) Stockbroking & Corporate Finance Activities

Stockbroking and corporate finance revenue was up by 7.5% to \$41.5 million from \$38.6 million. Solid commodity prices and an improving Western Australian economy have driven another strong contribution from our securities business with brokerage revenues up slightly from previous year. Euroz Securities managed 24 (2017:22) ECM transactions this year raising \$837 million (2017: \$865 million).

#### (b) Principal Trading

Revenue from Principal Trading increased by 24.9% to \$10.1 million from \$8.1 million.

#### (c) Funds Management

Revenue from Funds Management increased by 300.1% to \$13.6 million from \$3.4 million predominantly as a result of performance fees received from Westoz managed funds and also in line with an increase in FUM.

#### (d) Investment Income

Investment income increased by 30.2% to \$4.2 million from \$3.2 million as a result of increased dividend income from our investments.

#### (e) Wealth Management

Wealth management revenue increased by 10.3% to \$8.9 million from \$8.1 million. This increase is due to increasing FUM.

### 10. DISCLOSURE OF BUSINESS STRATEGIES AND PROSPECTS - GROWTH

Solid commodity prices and an improving Western Australian economy have driven another strong contribution from our securities business with brokerage revenues up slightly from previous year. A strong second half equity capital market contribution, with approximately \$837 million of capital raisings completed this financial year, translated to similar overall corporate finance revenues to the previous year. Westoz Funds Management has provided solid investment returns for its two listed investment company mandates to generate improved management and performance fees.

In July 2015, Euroz acquired Entrust which has now been fully integrated alongside Euroz Securities Private Client operations and we believe that both businesses will continue to cross-pollinate their strengths and grow recurring revenue.

During the financial year Prodigy had partnerships with two separate boutique funds, Flinders and Dalton for both retail and wholesale investors. Our long term strategy is for these boutique funds to provide a steady base of diverse ongoing management fee revenues with potential performance fee upside. Flinders had a strong gross investment performance of 34.2% for the financial year which strengthens our commitment to this partnership. Current FUM of \$18 million and a solid 3 year track record has increased investor engagement and we believe the market will better reward their strong investment returns with improved inflows in the coming 12 months. Dalton Street Capital aims to deliver absolute returns in all market conditions and has reported solid gross investment performance of 18.3% for the financial year and performance since inception of 14.8% per annum. Strong support from early adopter research and platform providers continue to underpin consistent monthly FUM growth which was \$89 million at 30 June 2018 and we are excited about the FUM growth prospects for this two year old partnership.

In August 2018, Euroz and Prodigy announced the launch of its third boutique funds management partnership, Equus a market neutral strategy focusing on Australian equities.

We continue to implement our modest diversification strategy and are pleased to pay 11 cents per share in fully franked dividends for the year, our best full year dividend since 2011.

The Directors believe that Euroz Group has laid the foundations for our strategy to build a more consistent base of underlying recurring revenues through our growing wealth and funds management businesses whilst still retaining the transaction based upside of our traditional stockbroking business.

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 11. DISCLOSURE OF BUSINESS STRATEGIES AND PROSPECTS - MATERIAL BUSINESS RISKS

The past year continues the trend of extremely volatile trading conditions. Like many businesses we have experienced solid trading months which are often then undermined by any combination of uncertainties. These may take the form of economic concerns, political instability, inflation and growth concerns, and / or alternating commodity price movements.

Given this backdrop and the increasingly competitive landscape it has created, we are pleased with our overall results for the financial year. Our entire team has worked hard to manage our costs and generate profits and dividends for shareholders.

### 12. FINANCIAL POSITION

The net assets of the consolidated group have increased to \$130.5 million at 30 June 2018 from \$119.3 million at 30 June 2017.

The Company and consolidated group's financial performance has enabled it to continue to pay dividends to shareholders during the year while maintaining a healthy working capital ratio. The consolidated group's working capital, being current assets less current liabilities, is \$30.7 million at 30 June 2018 (30 June 2017: \$30.9 million).

During the past ten years the Company has invested in expanding each of its business units to secure its long term success. In particular it has increased its strategic investments in the investment products of Westoz Funds Management Pty Ltd, our multi boutique Prodigy business and Entrust as a platform for our future wealth management ambitions.

Our group remains in an extremely sound financial position with cash and investments of \$139.3 million (including the Pershing security deposit of \$5 million) as at 30 June 2018. We have a Net Tangible Assets (NTA) of 77¢ per share and no debt. Euroz has a proud history of consistent profits and dividends having paid a total of \$211 million in fully franked dividends in every consecutive half year for the past 18 years.

The Directors believe the Company is in a strong and stable financial position to expand and grow its current operations.

	2018 Cents	2017 Cents
<b>Earnings per share</b>		
Basic earnings per share	19.91	12.30
Diluted earnings per share	19.42	12.03

### 13. DIVIDENDS – EUROZ LIMITED

Dividends paid or provided for during the financial year were as follows:

	2018 \$	2017 \$
Interim ordinary dividend of 1.75 cents (2017: 1.75 cents) per fully paid ordinary share was paid on 2 February 2018.	2,817,314	2,817,314
Provision for final ordinary dividend for 30 June 2018 of 9.25 cents (2017: 5.5 cents) per fully paid ordinary share paid on 6 August 2018.	14,891,518	8,854,416
	<b>17,708,832</b>	<b>11,671,730</b>

Of the total dividends paid during the year \$22,110 (2017: \$34,246) was paid to the Euroz Share Trust and is undistributed. Therefore, it has been eliminated on consolidation.

### 14. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated group during the year other than the acquisition of 1,659,000 treasury shares on-market and the vesting of 884,579 shares under the Performance Rights Plan.

### 15. SHARE OPTIONS

There were no options on issue at 30 June 2018 and 30 June 2017.

### 16. ENVIRONMENTAL REGULATION

The consolidated group is not subject to significant environmental regulation in respect of its operations.

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 17. EVENTS AFTER REPORTING DATE

In August 2018, Euroz and Prodigy announced the launch of its third boutique funds management partnership, Equus, a market neutral strategy focusing on Australian equities.

Other than this matter, the Directors are not aware of any other matter or circumstance subsequent to 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the consolidated group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated group's state of affairs in future financial years.

### 18. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are confident that a strong statement of financial position and established business platforms will support the Company in increasingly volatile market conditions.

Further information on likely developments in the operations of the consolidated group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated group.

### 19. INFORMATION ON DIRECTORS

Information on Directors			Particulars of Directors' interests in shares of Euroz Limited
Director	Experience	Special responsibilities and qualifications	Ordinary shares*
A McKenzie <i>Executive Chairman</i>	Mr McKenzie has worked in the stockbroking industry since 1991.	Executive Chairman of Euroz Limited and Euroz Securities  Executive Director of Westoz Funds Management, Prodigy Investment Partners, Flinders Investment Partners and Dalton Street Capital  Member of Euroz Limited Remuneration Committee  Member of Euroz Securities Underwriting Committee  Holds a Bachelor of Economics Degree from the University of the Western Australia (UWA)  Member (MSAFAA) of the Stockbrokers and Financial Advisers Association of Australia (SAFAA)	12,601,269
J Hughes <i>Director</i>	Mr Hughes has worked in the stockbroking industry since 1986.	Executive Director of Euroz Limited, Euroz Securities, Westoz Funds Management and Prodigy Investment Partners  Executive Chairman of Westoz Investment Company and Ozgrowth Limited  Member of Euroz Limited Remuneration Committee  Member of Euroz Securities Underwriting Committee  Holds a Graduate Diploma in Applied Finance and Investment from FINSIA and is a member (MSAFAA) of SAFAA	12,612,130
G Chessell <i>Director</i>	Mr Chessell has worked in the stockbroking industry since 1996.	Executive Director of Euroz Limited and Euroz Securities  Member of Euroz Limited Audit & Risk Committee  Established the Research division of Euroz Securities which he headed up until October 2017 before moving to Corporate Finance team  Holds a Bachelor of Applied Science in Geology from University of Technology Sydney (UTS) and a Graduate Diploma in Business from Curtin University	4,636,160

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 19. INFORMATION ON DIRECTORS (CONT'D)

Information on Directors			Particulars of Directors' interests in shares of Euroz Limited
Director	Experience	Special responsibilities and qualifications	Ordinary shares*
R Kane <i>Director</i>	Mr Kane has worked in the stockbroking industry since 1994.	Executive Director of Euroz Limited and Euroz Securities Member of Euroz Securities Underwriting Committee Institutional Dealer at Euroz Securities responsible for servicing both domestic institutions and high net worth clients Holds a Bachelor of Business from Edith Cowan University	3,282,586
S Yeo <i>Director</i>	Mr Yeo has worked in the stockbroking industry since 1993	Executive Director of Euroz Limited and Euroz Securities Member of Euroz Limited Audit & Risk Committee Established the Private Client division of Euroz Securities, which he headed up until October 2013 before moving to a specialised role within the Institutional Dealing team Holds a Bachelor of Commerce degree from UWA	4,500,000
A Brittain <i>Director</i>	Mr Brittain has worked in the funds management and stockbroking industry since 1992.	Executive Director of Euroz Limited, Euroz Securities, Entrust Private Wealth Management, Prodigy Investment Partners, Flinders Investment Partners and Dalton Street Capital Chief Operating and Financial Officer Member of Euroz Limited Audit and Risk Committee Member of Euroz Securities and Entrust Private Wealth Management Compliance Committee Member of Prodigy Investment Partners Risk and Compliance Committee Member of Euroz Securities Underwriting Committee Holds a Bachelor of Commerce degree from UWA, a member of the Chartered Accountants Australia and New Zealand (CA), holds a Graduate Diploma in Applied Finance and Investment from FINSIA, a Graduate member of the Australian Institute of Company Directors (AICD) and is a member (MSAFAA) of SAFAA	563,801
R Black <i>Director</i> <i>(appointed 1 August 2017)</i>	Mr Black has worked in stockbroking industry since 1993.	Executive Director of Euroz Limited, Euroz Securities and Entrust Private Wealth Management Managing Director of Euroz Securities Head of Euroz Securities Institutional Sales Member of Euroz Limited Remuneration Committee Member of Euroz Securities Underwriting Committee Member of Euroz Securities and Entrust Private Wealth Management Compliance Committee Holds a Bachelor of Business Degree from Edith Cowan University and is a Graduate member of the AICD	3,950,000

\*Balance as at the date of signing the report and total shares includes shares allocated under the Performance Rights Plan.



## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 20. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2018 and the numbers of meetings attended by each Director were:

Director	Directors Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit		Remuneration	
Number eligible to attend			Number attended	Number eligible to attend	Number attended	
Andrew McKenzie	19	19	-	-	2	2
Jay Hughes	19	17	-	-	2	2
Greg Chessell	19	17	3	3	-	-
Russell Kane	19	16	-	-	-	-
Simon Yeo	19	19	3	3	-	-
Anthony Brittain	19	19	3	3	-	-
Robert Black ( <i>appointed 1 August 2017</i> )	18	16	-	-	2	2
Doug Young ( <i>retired 1 July 2017</i> )	-	-	-	-	-	-

### 21. REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Key Management Personnel (KMP) remuneration arrangements of the Company and the consolidated group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report KMP of the consolidated group are defined as those persons having authority for the strategic management and direction of the consolidated group including any Director (whether executive or otherwise) of the parent Company.

#### KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated group's operations. The board undertakes regular reviews of its performance and the performance of the board against expectations made at the start of the year. Performance related bonuses are available to KMP based on their performance and that of the Company.

#### REMUNERATION POLICY

The remuneration policy has been designed to align the interests of shareholders, Directors and executives. Euroz remunerates its Directors, executives and other employees by way of a fixed base salary, commission and a combination of short and long term incentives. The Company believes this policy to have been effective in increasing shareholder wealth since inception.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years.

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Revenue (including gains on fair value movements in investment entities)	78,176,940	38,898,781	41,924,867	70,372,892	92,087,944
Net profit/(loss) after tax attributable to members	26,547,100	(7,039,395)	3,560,417	19,371,167	31,263,812
Share price at year end	1.30	1.00	0.79	1.08	1.25
Dividends paid or recommended	16,261,272	7,886,167	6,438,992	11,671,730	17,708,832

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The Board / Remuneration Committee ensure that executive rewards satisfy the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linked
- transparency
- capital management

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### REMUNERATION REPORT (AUDITED) (CONT'D)

#### REMUNERATION POLICY (CONT'D)

##### *Directors' fees*

No Directors fees are paid to Executive Directors.

Non-Executive Directors are paid a fixed base salary and superannuation for their role on the Board.

##### *Base pay*

All Directors and executives are offered a competitive base salary and superannuation. Base pay for senior executives is reviewed semi-annually by the Remuneration Committee to ensure it is competitive with the market. Base pay is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any senior executive or Directors contracts.

Executives are offered a competitive salary that comprises of a base salary inclusive of superannuation and a combination of some of the following short term incentives, dependant on the terms of the individual employment contract:

- Participation in the profit share pool
- Commission
- Discretionary Bonus

##### *Profit share pool – Euroz Securities*

Directors and executives are invited to participate in the profit share pool. The Remuneration Committee determines the allocation of up to 40% pre-tax profit on an ongoing basis. In consultation with relevant Department Heads the Committee uses the following informal criteria to assist in the allocation:

- Ability to perform individual tasks within the relevant department.
- Ability to add value and innovate beyond the job standard specifications.
- Development of new and existing client relationships.
- Ability to interact with other relevant departments as part of a larger team approach.
- Relevant industry salary benchmarking.
- General requirements to attract and retain staff.

The profit share payment is made as a combination of cash (75%) and equity (25%) in the Performance Rights Plan as detailed below in "Equity based payments".

The three executives on the Remuneration Committee (Andrew McKenzie, Jay Hughes and Robert Black, Executive Directors of Euroz Limited) are also entitled to participate in the profit share pool. In these circumstances two members assess the performance of the third member.

##### *Commission*

Private Client Advisors are paid a commission in addition to a base salary and superannuation. This is calculated on a sliding scale. Eligible Private Client Advisors are also invited to participate in the Performance Rights Plan based on certain performance hurdles set out in the employment contract.

##### *Discretionary bonus*

Executives and other staff members who do not participate in the profit share pool are paid a discretionary bonus based on the profitability of the Company. Similar to the profit share pool, the distribution of the discretionary bonus is also leveraged to the individual's performance and is made as a combination of cash (75%) and equity (25%) as detailed below in "Equity based payments".

##### *Equity based payments*

A Performance Rights Plan was established in 2014 as a long term incentive to assist in the reward, retention and motivation of Directors, executives and staff members. Eligible employees are invited to participate in this plan and are awarded a Performance right at the beginning of the year. There are three separate long term incentives depending on the individual employment contract as below:

- Profit share
- Discretionary bonus
- Commission

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### REMUNERATION REPORT (AUDITED) (CONT'D)

The Performance Right represents a right to be issued a number of ordinary shares in Euroz to reflect 25% of the profit share or the discretionary bonus that is paid to the participant. Private Client Advisors who are paid a commission may also be paid 5% of their total monthly brokerage and/or portfolio administration revenue (above certain hurdles) or 25% of corporate finance introduction fees in equity. The shares issued will only vest to the employee after 3 years subsequent service following the initial year of service.

### DETAILS OF REMUNERATION

Details of the nature and amount of each element of the emoluments of each KMP of the Group are set out in the following tables.

2018	Short-term			Post-Employment	Share Based Payment	Total	Performance related %
	Base salary	Profit Share/bonus	Other benefits	Super-annuation	Performance Rights		
	\$	\$	\$	\$	\$	\$	%
Andrew McKenzie	250,000	487,500	26,894	25,000	104,375	893,769	66%
Jay Hughes	219,602	487,500	23,625	24,087	104,375	859,189	69%
Doug Young (retired 1 July 2017)	78,931	-	-	-	105,313	184,244	57%
Greg Chessell	254,951	217,500	12,578	20,049	51,250	556,328	48%
Russell Kane	254,951	446,250	17,721	20,049	82,500	821,471	64%
Simon Yeo	254,951	228,750	20,242	20,049	60,000	583,992	49%
Robert Black	254,951	375,000	16,320	20,049	83,438	749,758	61%
Phil Rees	229,951	270,000	16,749	20,049	47,813	584,562	54%
Anthony Brittain	250,000	168,750	18,425	25,000	40,000	502,175	42%
<b>Total</b>	<b>2,048,288</b>	<b>2,681,250</b>	<b>152,554</b>	<b>174,332</b>	<b>679,064</b>	<b>5,735,488</b>	

Current Directors did not receive any Directors fees.

2017	Short-term			Post-Employment	Share Based Payment	Total	Performance related %
	Base salary	Profit Share/bonus	Other benefits	Super-annuation	Performance Rights		
	\$	\$	\$	\$	\$	\$	%
Andrew McKenzie	244,658	495,000	27,951	34,956	82,500	885,065	65%
Jay Hughes	231,496	495,000	19,572	34,366	82,500	862,934	67%
Doug Young (retired 1 July 2017)	244,998	326,250	20,347	34,616	54,063	680,274	56%
Greg Chessell	259,998	225,000	11,183	19,616	45,625	561,422	48%
Russell Kane	259,998	326,250	16,212	19,616	60,938	683,014	57%
Simon Yeo	259,998	296,250	18,356	19,616	53,438	647,658	54%
Robert Black	259,643	386,250	15,454	19,616	67,188	748,151	61%
Phil Rees	220,341	198,750	14,526	33,776	40,938	508,331	47%
Anthony Brittain	250,203	183,750	16,580	29,056	34,063	513,652	42%
<b>Total</b>	<b>2,231,333</b>	<b>2,932,500</b>	<b>160,181</b>	<b>245,234</b>	<b>521,253</b>	<b>6,090,501</b>	

Current Directors did not receive any Directors fees.

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### REMUNERATION REPORT (AUDITED) (CONT'D)

#### SERVICE AGREEMENTS

Remuneration and other terms of employment for the Key Management Personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and other benefits. Notwithstanding the agreed salary in the service agreement, the base salary may be reduced or increased based on trading conditions. Other major provisions of the agreements relating to remuneration are set out below.

##### **Andrew McKenzie, Executive Chairman**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Jay Hughes, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Greg Chessell, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Russell Kane, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Simon Yeo, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Anthony Brittain, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus bonus
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Robert Black, Director**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$275,000 (2017 - \$275,000) plus profit share
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

##### **Phil Rees, Director Westoz Funds Management Pty Ltd**

- Term of contract – ongoing employment contract
- Base salary, inclusive of superannuation for the year ended 30 June 2018 of \$250,000 (2017 - \$250,000) plus bonus
- Payment on termination of employment by the employer, other than for gross misconduct – three months' salary

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### REMUNERATION REPORT (AUDITED) (CONT'D)

#### SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The movement during the reporting year in the number of shares in Euroz Limited held, directly, indirectly or beneficially, by each member of KMP, including related parties, is as follows:

<b>2018</b>	<b>Balance at 1 July 2017</b>	<b>Received via PRP (i)</b>	<b>Net change other *</b>	<b>Bought &amp; (sold)</b>	<b>Balance at 30 June 2018</b>
<b>Ordinary shares</b>					
Andrew McKenzie	12,138,971	134,298	-	228,000	12,501,269
Jay Hughes	12,303,832	134,298	-	74,000	12,512,130
Doug Young ( <i>retired 1 July 2017</i> )	4,734,540	-	(4,734,540)	-	-
Greg Chessell	4,558,243	59,917	-	18,000	4,636,160
Russell Kane	3,089,652	122,934	-	40,000	3,252,586
Simon Yeo	4,206,264	63,017	-	152,000	4,421,281
Robert Black	3,531,347	103,306	-	138,653	3,773,306
Philip Rees	1,400,527	74,380	-	-	1,474,907
Anthony Brittain	517,313	46,488	-	-	563,801
	<b>46,480,689</b>	<b>738,638</b>	<b>(4,734,540)</b>	<b>650,653</b>	<b>43,135,440</b>

<b>2017</b>	<b>Balance at 1 July 2016</b>	<b>Received via PRP (i)</b>	<b>Net change other *</b>	<b>Bought &amp; (sold)</b>	<b>Balance at 30 June 2017</b>
<b>Ordinary shares</b>					
Andrew McKenzie	11,913,458	155,513	-	70,000	12,138,971
Jay Hughes	12,148,319	155,513	-	-	12,303,832
Doug Young ( <i>retired 1 July 2017</i> )	4,632,043	102,497	-	-	4,734,540
Greg Chessell	4,464,905	70,688	-	22,650	4,558,243
Russell Kane	2,972,155	102,497	-	15,000	3,089,652
Simon Yeo	4,113,192	93,072	-	-	4,206,264
Robert Black	3,349,456	121,347	-	60,544	3,531,347
Philip Rees	1,318,759	62,441	-	19,327	1,400,527
Anthony Brittain	459,585	57,728	-	-	517,313
	<b>45,371,872</b>	<b>921,296</b>	<b>-</b>	<b>187,521</b>	<b>46,480,689</b>

(i) These shares are held by the Euroz Share Trust and are currently vesting in accordance with the Euroz Performance Rights Plan (PRP).

\*Net change in the current year reflects Doug Young's retirement and hence his cessation as a KMP.

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### REMUNERATION REPORT (AUDITED) (CONT'D)

#### PERFORMANCE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

The movement during the reporting period in performance rights in Euroz Limited held, directly, indirectly or beneficially, by each KMP, including related parties, is as follows:

2018	Granted as remuneration	Vested
<b>Performance Rights</b>		
Andrew McKenzie	1	(1)
Jay Hughes	1	(1)
Greg Chessell	1	(1)
Russell Kane	1	(1)
Simon Yeo	1	(1)
Robert Black	1	(1)
Phillip Rees	1	(1)
Anthony Brittain	1	(1)
	<b>8</b>	<b>(8)</b>

2017	Granted as remuneration	Vested
<b>Performance Rights</b>		
Andrew McKenzie	1	(1)
Jay Hughes	1	(1)
Doug Young ( <i>retired 1 July 2017</i> )	1	(1)
Greg Chessell	1	(1)
Russell Kane	1	(1)
Simon Yeo	1	(1)
Robert Black	1	(1)
Phillip Rees	1	(1)
Anthony Brittain	1	(1)
	<b>9</b>	<b>(9)</b>

These performance rights were issued in accordance with the PRP. Rights are granted on 1 July each year and vest on 30 June.

#### SHARE-BASED COMPENSATION

A performance right was issued to KMPs as part of their annual bonus / profit share plan. The fair value of each right is calculated as 25% of each member's bonus entitlement. The performance rights are subject to a 4 year vesting period. Total fair values of performance rights issued in the year amounts to \$1,435,476 (2017: \$1,058,057).

#### LOANS KEY MANAGEMENT PERSONNEL

No loans were made to Directors of Euroz Limited and the KMPs of the consolidated group, including their personally-related entities during the year.

#### REMUNERATION REPORT - END

## Directors' Report (Cont'd)

For the year ended 30 June 2018

### 22 INDEMNIFYING OFFICERS AND AUDITOR

During the financial year, Euroz Limited paid a premium of \$337,657 to insure the Directors and secretaries of the Company and its Australian based controlled entities. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated group. Euroz has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

### 23. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to such proceedings during the year.

### 24. NON-AUDIT SERVICES

The following non-audit services were provided by the group's auditor, PKF Mack. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. PKF Mack received or is due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance and other services	<u>57,420</u>

### 25. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and follows the Directors' report.

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

**ANDREW MCKENZIE**

*Executive Chairman*



Date: 30 August 2018

**ROBERT BLACK**

*Executive Director*





Accounting, Financial and Business Advisory

## AUDITOR'S INDEPENDENCE DECLARATION

### TO THE DIRECTORS OF EUROZ LIMITED

In relation to our audit of the financial report of Euroz Limited for the year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF MACK

SHANE CROSS  
PARTNER

30 AUGUST 2018  
WEST PERTH

PKF Meck  
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PKF Mack is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>Revenue</b>	4	78,435,780	61,499,769
Profit on fair value movement on investments		13,652,164	8,873,123
Employee benefits expense		(28,049,408)	(27,412,316)
Depreciation and amortisation expenses		(309,412)	(236,178)
Regulatory expenses		(210,824)	(193,657)
Legal, professional and consultancy expenses		(667,116)	(1,119,534)
Conference and seminar expenses		(968,088)	(950,209)
Stockbroking expenses		(4,384,561)	(3,725,259)
Communication expenses		(340,348)	(327,840)
Carrying amount of principal trading securities sold		(9,435,629)	(7,334,783)
Loss on deconsolidation	5	(29,572)	-
Other expenses		(4,782,546)	(4,939,496)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	5	<b>42,910,440</b>	<b>24,133,620</b>
Income tax expense	6	(13,577,115)	(6,202,258)
<b>PROFIT AFTER INCOME TAX EXPENSE FOR THE YEAR</b>		<b>29,333,325</b>	<b>17,931,362</b>
<i>Other comprehensive income</i>			
Other comprehensive income net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>29,333,325</b>	<b>17,931,362</b>
<b>Profit / (Loss) for the year is attributable to:</b>			
Non-controlling interest		(1,930,487)	(1,439,805)
Owners of Euroz Limited		31,263,812	19,371,167
		<b>29,333,325</b>	<b>17,931,362</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Non-controlling interest		(1,930,487)	(1,439,805)
Owners of Euroz Limited		31,263,812	19,371,167
		<b>29,333,325</b>	<b>17,931,362</b>
Basic earnings per share (cents)	33	19.91	12.30
Diluted earnings per share (cents)	33	19.42	12.03

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

	Note	2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	39,390,169	41,152,236
Trade and other receivables	8	2,181,061	1,855,645
Inventories	9	12,855,087	5,049,119
Other current assets	10	4,103,235	1,218,294
<b>TOTAL CURRENT ASSETS</b>		<b>58,529,552</b>	<b>49,275,294</b>
<b>NON-CURRENT ASSETS</b>			
Long term receivable	11	5,000,000	5,000,000
Investments	12	14,519,955	9,215,893
Investment entities at fair value	13	67,586,696	56,915,440
Plant and equipment	14	736,579	650,583
Deferred tax assets	15	4,427,658	7,558,090
Intangible assets	16	10,178,785	10,208,552
<b>TOTAL NON-CURRENT ASSETS</b>		<b>102,449,673</b>	<b>89,548,558</b>
<b>TOTAL ASSETS</b>		<b>160,979,225</b>	<b>138,823,852</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	4,637,251	3,346,290
Current tax liabilities	18	5,075,257	3,251,272
Short term provisions	19	18,129,112	11,767,285
<b>TOTAL CURRENT LIABILITIES</b>		<b>27,841,620</b>	<b>18,364,847</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	20	2,657,601	1,114,687
Long term provisions	21	4,979	43,016
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,662,580</b>	<b>1,157,703</b>
<b>TOTAL LIABILITIES</b>		<b>30,504,200</b>	<b>19,522,550</b>
<b>NET ASSETS</b>		<b>130,475,025</b>	<b>119,301,302</b>
<b>EQUITY</b>			
Issued capital	22	102,343,793	103,246,026
Reserves	22	2,646,774	2,217,421
Retained earnings		29,470,406	15,893,316
Equity attributable to the owners of Euroz Limited		134,460,973	121,356,763
Non-controlling interest		(3,985,948)	(2,055,461)
<b>TOTAL EQUITY</b>		<b>130,475,025</b>	<b>119,301,302</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 \$	Share based payment reserve \$	Retained earnings \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2016</b>	<b>105,226,509</b>	<b>1,159,364</b>	<b>8,159,633</b>	<b>(715,656)</b>	<b>113,829,850</b>
Profit for the period	-	-	19,371,167	(1,439,805)	17,931,362
Total comprehensive income for the period	-	-	19,371,167	(1,439,805)	17,931,362
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period	-	-	-	100,000	100,000
Vested shares under employee share plan	-	-	-	-	-
Treasury shares	(1,964,883)	-	-	-	(1,964,883)
Share buy back	(15,600)	-	-	-	(15,600)
Share based payments	-	1,058,057	-	-	1,058,057
Dividends to equity holders	-	-	(11,637,484)	-	(11,637,484)
<b>Total contributions by and distributions to owners</b>	<b>(1,980,483)</b>	<b>1,058,057</b>	<b>(11,637,484)</b>	<b>100,000</b>	<b>(12,459,910)</b>
<b>Balance at 30 June 2017</b>	<b>103,246,026</b>	<b>2,217,421</b>	<b>15,893,316</b>	<b>(2,055,461)</b>	<b>119,301,302</b>
<b>Balance at 1 July 2017</b>	<b>103,246,026</b>	<b>2,217,421</b>	<b>15,893,316</b>	<b>(2,055,461)</b>	<b>119,301,302</b>
Profit for the period	-	-	31,263,812	(1,930,487)	29,333,325
Total comprehensive income for the period	-	-	31,263,812	(1,930,487)	29,333,325
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period	-	-	-	-	-
Vested shares under employee share plan	1,006,123	(1,006,123)	-	-	-
Treasury shares	(1,908,356)	-	-	-	(1,908,356)
Share buy back	-	-	-	-	-
Share based payments	-	1,435,476	-	-	1,435,476
Dividends to equity holders	-	-	(17,686,722)	-	(17,686,722)
<b>Total contributions by and distributions to owners</b>	<b>(902,233)</b>	<b>429,353</b>	<b>(17,686,722)</b>	<b>-</b>	<b>(18,159,602)</b>
<b>Balance at 30 June 2018</b>	<b>102,343,793</b>	<b>2,646,774</b>	<b>29,470,406</b>	<b>(3,985,948)</b>	<b>130,475,025</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

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		60,386,371	49,657,515
Payments to suppliers and employees (inclusive of goods and services tax)		(36,582,581)	(34,800,663)
		<b>23,803,790</b>	<b>14,856,852</b>
Interest received		492,045	380,145
Proceeds from sale of trading shares		10,105,513	8,103,956
Income taxes		(7,079,784)	(2,079,389)
Payments for trading shares		(15,060,563)	(5,345,630)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>32</b>	<b>12,261,001</b>	<b>15,915,934</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment of stamp duty on intangibles acquisition		-	(56,238)
Payments for investment in WIC & OZG		(100,254)	(1,698,577)
Payments for management investment schemes		(3,000,020)	(1,600,000)
Dividends and trust distributions received		3,030,590	3,075,861
Payments for plant and equipment		(395,408)	(400,898)
Payments for treasury shares		(1,908,356)	(1,964,883)
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(2,373,448)</b>	<b>(2,644,735)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(11,649,620)	(6,405,779)
Share buy-back		-	(15,600)
Proceeds from share issue in related entity		-	100,000
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>(11,649,620)</b>	<b>(6,321,379)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,762,067)</b>	<b>6,949,820</b>
Cash and cash equivalents at 1 July		41,152,236	34,202,416
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>7</b>	<b>39,390,169</b>	<b>41,152,236</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the year ended 30 June 2018

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# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements as issued by the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for "for-profit" oriented entities.

This financial report has been authorised by the Directors to be issued on 30 August 2018. The Directors have the power to amend and reissue the financial statements.

Euroz Limited is a listed public Company, trading on the Australian Securities Exchange and Chi - X, limited by shares, incorporated and domiciled in Australia.

The financial report of Euroz Limited and controlled entities (the group or consolidated group), complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Separate financial information of the parent Company has been included in Note 34 as permitted by amendments to the Corporations Act 2001. The financial report is presented in Australian dollars which is the group's functional and presentation currency. Amounts are rounded to the nearest dollar in accordance with Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of preparation

#### *Reporting basis and conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting policies

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Euroz Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all controlled entities for the year then ended. Euroz Limited and its controlled entities together are referred to in this financial report as the consolidated group.

Subsidiaries are all those entities over which the consolidated group has control. The consolidated group controls an entity when the consolidated group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated group.

A change in ownership interest without the loss of control is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated group. All controlled entities have a 30 June financial year end.

#### (b) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Income tax (cont'd)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Euroz Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. The group formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each Company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

### (c) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, and the consolidated group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### (d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

- Brokerage revenue earned from share trading on behalf of clients is recognised on completion of the transactions. That is, the day the security is traded, not the day of settlement.
- Underwriting, management fees and corporate retainers are brought to account when the fee in respect of the services provided is receivable.
- Share trading revenue from the sale of stocks in the jobbing account is recognised on the day the security is traded. Revenue comprises the gross proceeds on sale of the security.
- Interest income is recognised as it accrues.
- Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of Goods and Services Tax (GST), where applicable

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Receivables

Trade receivables are recognised as current receivables as they are generally settled within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists.

All trade receivables relating to brokerage and principal trading have been transferred to Pershing Securities (Australia) Pty Ltd who provides a trust account facility as part of the clearing and settlement service.

### (f) Inventories

Inventories are stocks held in the operating (house) account at year end. All inventory is held at fair value. Refer to Note 1 (u) (i) financial assets at fair value through profit or loss.

### (g) Investments

Controlled entities are accounted for in the consolidated financial statements as set out in Note 1 (a), excluding investment entities (which are deemed to be controlled) which are accounted for at fair value at reporting date.

Other securities are accounted for at fair value at reporting date. Unrealised gains/losses on securities held for short term investment are accounted for as set out in Note 1 (u) (i) financial assets at fair value through profit or loss. Unrealised gains/losses on securities held for long term investment are designated on initial recognition at fair value through profit or loss.

### (h) Plant and equipment

Each class of plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the residual values commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	25%
Plant and equipment	25-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

### (i) Leasehold improvements

The cost of improvements to or on leasehold properties are amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated group, whichever is the shorter.

### (j) Leases

Other operating lease payments are charged to the statement of profit or loss in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

### (k) Trade and other creditors

Trade and other creditors also include other liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

All trade creditors relating to brokerage and principal trading have been transferred to Pershing Securities (Australia) Pty Ltd who provides a trust account facility as part of the clearing and settlement service.



# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Dividends

Provision is made for the amount of any dividend declared and authorised by the Directors on or before the end of the financial year, but not distributed at reporting date.

### (m) Options

The fair value of options in the shares of the Company issued to Directors and other parties is recognised as an expense in the financial statements in relation to the granting of these options.

### (n) Employee benefits

#### (i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Employee benefits payable later than one year

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. There have been no changes to the method used to calculate this liability.

#### (iii) Superannuation

Contributions are made by the consolidated group to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

#### (iv) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### (v) Options/performance rights

The fair value of options/performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value of options at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of performance rights are estimated at grant date based on expectations of the bonus that will be paid at year end to eligible employees. Each performance right is subject to a 4 year vesting condition. At the end of year 1, the performance right converts to plan shares that are subject to a 3 year service condition. The Board may, at their discretion accelerate the vesting period.

#### (vi) Profit-sharing

The consolidated group recognises a liability and an expense for profit-sharing based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments.

#### (vii) Termination benefits

The consolidated group recognises a liability and an expense when the group demonstrates a commitment to either terminate the employee before the normal retirement date or provide termination benefits as a result of an offer made to the employee prior to retirement date.

### (o) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### (p) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The potential impact of issuing treasury shares externally is considered when calculating diluted earnings per share.

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### (r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated group for similar financial instruments.

### (s) 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 Tax 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.

### (t) Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve.

### (u) Financial instruments

The consolidated group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) Financial instruments (cont'd)

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Investments held as inventories are classified in this manner. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date. Investments in managed investment schemes are recognised at fair value through profit or loss on initial recognition.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

#### (iii) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets.

Purchases and sales of investments are recognised on trade-date being the date on which the consolidated group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale investments revaluation reserve are recognised in equity in the "available for sale revaluation reserve". When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing methods refined to reflect the issuer's specific circumstances.

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (u) Financial instruments (cont'd)

#### (iv) Impairment of financial assets

The consolidated group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

### (v) Current / non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### (w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

### (x) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### (y) Intangible asset

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) New standards and interpretations

The Australian Accounting Standards Board ('AASB') has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against the early adoption of any of these standards.

AASB No.	Title	Application date of standard *	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-1	Amendments to Australian Accounting Standards Part E - Financial Instruments	Part E - 1 January 2018	June 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 January 2018	December 2014
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-10	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-5	Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions [AASB 2]	1 January 2018	July 2016
AASB 2017-4	Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019	July 2017
AASB 2017-5	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2018	December 2017
AASB 2017-6	Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019	October 2017
AASB 2017-7	Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2019	December 2017
AASB 2018-1	Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle	1 January 2019	February 2018
AASB 2018-2	Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement	1 January 2019	March 2018
AASB 15	Revenues from Contracts with Customers	1 January 2018	October 2015
AASB 16	Leases	1 January 2019	February 2016
AASB 1059	Service Concession Arrangements: Grantors	1 January 2019	July 2017
AASB Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019	June 2017
Not yet issued by the AASB	Conceptual Framework for Financial Reporting#	1 January 2020	March 2018

\* Annual reporting periods beginning after

# The IASB issued the revised conceptual framework in March 2018. The AASB are yet to issue the equivalent pronouncement.

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (z) New standards and interpretations (cont'd)

The consolidated group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the consolidated group.

The consolidated group believes the most significant new standards to be adopted include: AASB 9 – Financial Instruments, AASB 15 – Revenue from Contracts with Customers and AASB 16 – Leases.

The consolidated group has made an initial assessment on the impact of these standards.

Following this assessment it is concluded that AASB 9 and AASB 15 will not have a significant impact on the consolidated group's primary statements. The consolidated group will address the additional and new disclosure requirements under these standards upon adoption.

In relation to AASB 16, the consolidated group's initial assessment is based on expected operating leases in place at the date of adoption being 1 July 2019. The consolidated group's initial assessment may therefore change significantly depending on the lease arrangements in place at the time of adoption. However, based on current expectations the consolidated group believes the initial adoption of this standard on 1 July 2019 will see the recognition of a right to use asset in the region of \$5.1 million with a materially consistent liability.

The anticipated effect to the profit or loss from the adoption of the new leases standard for year 1 is expected to be in the region of decreasing expenditure recognised in the profit or loss by \$0.4 million in comparison to the current treatment.

The effect of this new standard on cash flows is nil.

Several other amendments to standards and interpretations on or after 1 July 2018 have also not been applied and the Group does not expect material impact to the annual and half year consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements incorporated in the financial statements are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### Key estimates and judgments

#### (i) Impairment

At each reporting date, the consolidated group compares the carrying values and market values of investments to determine whether there is any indication of impairment. If impairment indicators exist, any excess of the investment entity's carrying value over the recoverable amount is expensed to the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (ii) Classification of inventories

The consolidated group has decided to classify investments in listed securities as held for trading. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or credited to the statement of profit or loss.

#### (iii) Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences and tax losses, are recognised only where it is considered more likely than not they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised to the extent that there are future profits.

#### (iv) Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, the goodwill on acquisition of Blackswan Equities Limited is allocated to private client broking cash-generating unit which represents the lowest level at which it is monitored for internal management purposes. At 30 June 2018, goodwill totalling \$2,803,345 has been allocated to the private client broking cash-generated unit. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future. Projected cash flows for each cash-generated unit are discounted using an appropriate discount rate and a value in use is determined over a 5 year life. The discount rate deemed applicable at 30 June 2018 amounted to 10.29%. The Board have assessed that there is no indication the goodwill is impaired.

In addition, the goodwill on the acquisition of Entrust totalling \$5,639,200 has been allocated to the performance of this Company as a whole. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future. Projected cash flows for each cash-generated unit are discounted using an appropriate discount rate and a value in use is determined over a 5 year life. The discount rate deemed applicable at 30 June 2018 amounted to 10.29%. The Board have assessed that there is no indication the goodwill is impaired.

# Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(v) *Intangible assets*

Upon acquisition of Entrust, Euroz acquired \$1,736,240 in other intangible assets consisting 3 separate client portfolios. These assets were tested for impairment. The assumptions used for determining the recoverable amount was based on past experience and expectations for the future. Projected cash flows for each cash-generated unit were discounted using an appropriate discount rate and a value in use was determined over a 5 year life. The discount rate deemed applicable at 30 June 2018 amounted to 10.29%. The Board have assessed that there is no indication these assets are impaired.

## 3. SEGMENT INFORMATION

### Identification of reportable segments

The consolidated group has identified its operating segments based on the internal reports that are reviewed and used by the executive team (the chief operating decision makers) in assessing performance and in allocating resources.

### Types of products and services

#### *Stockbroking & Corporate Finance Activities*

Stockbroking business offering trading of Australian securities, post trade reporting, corporate finance and provision of company research.

#### *Principal Trading*

Principal trading relates to the purchase and sale of securities by the consolidated group.

#### *Funds Management*

The consolidated group provides funds management services.

#### *Investments*

The consolidated group invests in listed and unlisted securities from which it derives dividends.

#### *Wealth Management*

The consolidated group provides wealth management services including the administration of funds under management.

### Basis of accounting for purpose of reporting by operating segments

The accounting policies used by the consolidated group in reporting segments internally are consistent with those adopted in the financial statements of the consolidated group, unless otherwise stated.

### Segment assets and liabilities

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset.

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment.

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 3. SEGMENT INFORMATION (CONT'D)

#### Segment performance

	Stockbroking & Corporate Finance Activities \$	Principal Trading \$	Funds Management \$	Investment Income \$	Wealth Management \$	Total \$
<b>2018</b>						
Sales and other fees	40,926,996	10,105,513	13,585,324	-	8,860,642	73,478,475
Interest revenue	340,241	9,567	41,469	47,351	19,409	458,037
Other revenues	270,048	34,050	-	4,130,532	64,638	4,499,268
<b>Total segment revenue</b>	<b>41,537,285</b>	<b>10,149,130</b>	<b>13,626,793</b>	<b>4,177,883</b>	<b>8,944,689</b>	<b>78,435,780</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>10,153,858</b>	<b>803,614</b>	<b>3,735,118</b>	<b>12,525,095</b>	<b>2,115,640</b>	<b>29,333,325</b>
Depreciation and amortisation	231,376	-	70,700	-	7,336	309,412
Gain/(Loss) on fair value of investments	-	1,909,697	-	11,742,467	-	13,652,164
<b>Segment assets</b>	<b>33,530,935</b>	<b>13,148,694</b>	<b>9,267,321</b>	<b>100,812,830</b>	<b>4,219,445</b>	<b>160,979,225</b>
Fair value of investments	-	12,855,088	-	82,106,650	-	94,961,738
Capital expenditure	360,458	-	10,224	-	24,726	395,408
<b>Segment liabilities</b>	<b>5,609,795</b>	<b>167,525</b>	<b>2,023,810</b>	<b>21,621,337</b>	<b>1,081,733</b>	<b>30,504,200</b>
<b>2017</b>						
Sales and other fees	38,184,072	8,103,956	3,359,285	-	8,043,639	57,690,952
Interest revenue	424,413	1,072	46,743	154,222	9,979	636,429
Other revenues	40,608	21,636	-	3,054,396	55,748	3,172,388
<b>Total segment revenue</b>	<b>38,649,093</b>	<b>8,126,664</b>	<b>3,406,028</b>	<b>3,208,618</b>	<b>8,109,366</b>	<b>61,499,769</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>7,905,662</b>	<b>548,044</b>	<b>(1,817,750)</b>	<b>9,322,250</b>	<b>1,973,156</b>	<b>17,931,362</b>
Depreciation and amortisation	196,220	-	39,828	-	130	236,178
Gain/(Loss) on fair value of investments	-	1,223,040	-	7,661,404	-	8,884,444
<b>Segment assets</b>	<b>36,734,909</b>	<b>5,049,120</b>	<b>6,558,166</b>	<b>85,633,936</b>	<b>4,847,721</b>	<b>138,823,852</b>
Fair value of investments	-	5,049,120	-	66,131,333	-	71,180,453
Capital expenditure	396,779	-	1,516	-	2,603	400,898
<b>Segment liabilities</b>	<b>5,349,262</b>	<b>40,760</b>	<b>831,221</b>	<b>12,487,612</b>	<b>813,695</b>	<b>19,522,550</b>

#### Entity-wide disclosures

The consolidated group predominately operates with in the geographical region of Australia. Therefore, the total revenue and non-current assets are reflected on the face of the financial statements.

During the year ended 30 June 2018 approximately 19.1% (2017: 9.3%) of the consolidated group's external revenue was derived from management fees, performance fees and dividends from Ozgrowth Limited and Westoz Investment Company Limited.



## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>4. REVENUE</b>		
<b>Revenue from operating activities</b>		
Brokerage	16,409,425	15,276,166
Underwriting and placement fees	10,690,920	19,103,633
Performance and management fees	20,289,350	5,850,861
Wealth management fees	6,635,598	6,022,957
Proceeds on sale of principal trading shares	10,105,513	8,103,759
Corporate retainers	9,347,626	3,333,281
	73,478,432	57,670,657
<b>Other income</b>		
Interest received	458,036	636,429
Other revenue	336,144	105,802
Dividend received	4,163,168	3,066,881
	4,957,348	3,809,112
<b>Total Revenue</b>	<b>78,435,780</b>	<b>61,499,769</b>

### 5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is determined after taking in account the following specific expenses:

Rental expenses relating to operating lease	1,932,963	1,854,769
Superannuation expense	1,127,798	1,133,418
Share based payments - PRP	1,406,147	1,058,057

The Blackswan Equities Limited Group of companies were deregistered in the current period resulting in a loss on deconsolidation to the Consolidated Statement of Profit or Loss and Other Comprehensive Income totalling \$29,572.

### 6. INCOME TAX

The components of tax expense comprise:

Current tax	18,250,461	4,220,734
Deferred tax	(4,673,346)	1,981,524
	13,577,115	6,202,258

Numerical reconciliation between tax expense and pre-tax accounting profit

Income tax using company's tax rate of 30% (2017: 30%)	12,873,132	7,240,086
Add tax effect of:		
- other non-allowable items	3,581,900	2,074,715
	16,455,032	9,314,801
Less tax effect of:		
- other	-	12,403
- franked dividends received	2,877,917	3,100,140
Income tax attributable to entity	13,577,115	6,202,258
The applicable weighted average effective tax rates are as follows:	31.64%	25.70%

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 6. INCOME TAX (CONT'D)

#### Reconciliations

##### i. Gross movements

The overall movement in the deferred tax account is as follows:

	2018 \$	2017 \$
Balance at 1 July	6,443,403	7,759,701
Recognised in statement of profit or loss	(4,891,040)	(1,981,524)
Charge to equity	217,694	665,226
<b>Balance at 30 June</b>	<b>1,770,057</b>	<b>6,443,403</b>

##### ii. Deferred tax liability

Movement in temporary differences during the year

Fair value gain adjustments

Balance at 1 July	431,422	375,494
Recognised in the statement of profit or loss	1,642,035	55,928
<b>Balance at 30 June</b>	<b>2,073,457</b>	<b>431,422</b>

Other

Balance at 1 July	683,265	439,971
Recognised in the statement of profit or loss	(99,121)	243,294
<b>Balance at 30 June</b>	<b>584,144</b>	<b>683,265</b>

**2,657,601**                      **1,114,687**

##### iii. Deferred tax assets

Movement in temporary difference during the year

Fair value gain adjustments

Balance at 1 July	3,027,368	5,792,631
Recognised in the statement of profit or loss	(2,784,212)	(2,765,263)
<b>Balance at 30 June</b>	<b>243,156</b>	<b>3,027,368</b>

Provisions

Balance at 1 July	927,467	702,290
Recognised in the statement of profit or loss	195,796	225,177
<b>Balance at 30 June</b>	<b>1,123,263</b>	<b>927,467</b>

Other

Balance at 1 July	3,603,255	2,080,245
Charge to equity	217,694	665,226
Recognised in the statement of profit or loss	(759,710)	857,784
<b>Balance at 30 June</b>	<b>3,061,239</b>	<b>3,603,255</b>

**4,427,658**                      **7,558,090**

#### Tax consolidation legislation

Euroz Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in Note 1(b). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Euroz Limited for any current income tax payable by Euroz Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Euroz Limited. In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Euroz Limited.

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

	2018 \$	2017 \$
<b>7. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	39,390,169	41,152,236
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2,181,061	1,855,645
All trade receivables relating to brokerage and principal trading have been transferred to Pershing Securities (Australia) Pty Ltd (clearing participant on behalf of Euroz Securities Limited) who provides a trust account facility as part of the clearing and settlement service.		
<b>9. INVENTORIES</b>		
Securities in unlisted companies (at cost) (i)	588,040	527,000
Trading securities in listed companies (at cost) (i)	10,086,594	4,244,220
Fair value adjustments (ii)	2,180,453	277,899
<b>Total</b>	<b>12,855,087</b>	<b>5,049,119</b>
(i) These securities are held for trade purposes.		
(ii) The fair value adjustment is based on the closing price of each investment at year end.		
<b>10. OTHER CURRENT ASSETS</b>		
Prepayments	959,262	766,246
Accrued income	3,143,973	452,048
<b>Total</b>	<b>4,103,235</b>	<b>1,218,294</b>
<b>11. LONG TERM RECEIVABLE</b>		
Security deposit	5,000,000	5,000,000
Deposit held by Pershing Securities (Australia) Pty Ltd (clearing participant on behalf of Euroz Securities Limited).		
<b>12. INVESTMENTS</b>		
Cost of investment in managed investment schemes	12,732,598	8,600,000
Fair value adjustments (i)	1,787,357	615,893
<b>Total</b>	<b>14,519,955</b>	<b>9,215,893</b>
(i) The fair value adjustment is based on the closing unit value of the scheme.		

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 13. INVESTMENT ENTITIES AT FAIR VALUE

Listed ordinary shares in investment entities at fair value through profit or loss

#### Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value

Additions

Revaluation increments

Closing fair value

	2018 \$	2017 \$
	67,586,696	56,915,440
Opening fair value	56,915,440	47,121,275
Additions	100,254	1,698,577
Revaluation increments	10,571,002	8,095,588
Closing fair value	67,586,696	56,915,440

Investment entities encompass listed entities - Westoz Investment Company Limited and Ozgrowth Limited. While the consolidated group is deemed to control these entities, exemption from consolidation is obtained as the Company meets the definition of investment entity under AASB 2013-5 - Investment Entities. Accordingly, these investments are fair valued.

### 14. PLANT AND EQUIPMENT

Leasehold improvements

At cost

Less: Accumulated amortisation

Software

At cost

Less: Accumulated depreciation

Office equipment

At cost

Less: Accumulated depreciation

Furniture, fixtures and fittings

At cost

Less: Accumulated depreciation

At cost	540,616	537,301
Less: Accumulated amortisation	(273,812)	(138,655)
	266,804	398,646
At cost	177,958	76,167
Less: Accumulated depreciation	(60,313)	(26,929)
	117,645	49,238
At cost	467,788	255,699
Less: Accumulated depreciation	(194,438)	(148,192)
	273,350	107,507
At cost	99,321	163,770
Less: Accumulated depreciation	(20,541)	(68,579)
	78,780	95,192
	<b>736,579</b>	<b>650,583</b>

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 14. PLANT AND EQUIPMENT (CONT'D)

#### Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial years are set out below:

	Leasehold Improvements \$	Plant and Equipment \$	Total \$
<b>2018</b>			
Carrying amount at 1 July 2017	398,646	251,937	650,583
Additions	3,312	392,096	395,408
Depreciation / amortisation expense	(135,154)	(174,258)	(309,412)
Carrying amount at 30 June 2018	<b>266,804</b>	<b>469,775</b>	<b>736,579</b>
<b>2017</b>			
Carrying amount at 1 July 2016	196,964	288,899	485,863
Additions	295,694	105,204	400,898
Depreciation / amortisation expense	(94,012)	(142,166)	(236,178)
Carrying amount at 30 June 2017	<b>398,646</b>	<b>251,937</b>	<b>650,583</b>

### 15. DEFERRED TAX ASSETS

Deferred tax asset (Note 6)

	2018 \$	2017 \$
Deferred tax asset (Note 6)	<b>4,427,658</b>	<b>7,558,090</b>

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits can be generated.

### 16. INTANGIBLE ASSETS

Goodwill (refer (a) below)

Other intangible assets (refer (b) below)

Goodwill (refer (a) below)	8,442,545	8,472,312
Other intangible assets (refer (b) below)	1,736,240	1,736,240
	<b>10,178,785</b>	<b>10,208,552</b>

(a) Goodwill

Opening balance

Deconsolidation of Blackswan

Addition

**Balance**

Opening balance	8,472,312	8,430,477
Deconsolidation of Blackswan	(29,767)	-
Addition	-	41,835
<b>Balance</b>	<b>8,442,545</b>	<b>8,472,312</b>

**Split of goodwill:**

Goodwill on acquisition of Blackswan

Goodwill on acquisition of Entrust

Goodwill on acquisition of Blackswan	2,803,345
Goodwill on acquisition of Entrust	5,639,200
	<b>8,442,545</b>

Both goodwill balances are deemed to have an indefinite useful life and accordingly an impairment test was performed at reporting date. Based on this assessment at 30 June 2018, no impairment was considered necessary. Note 2 (iv) contains additional information on this assessment.

While the Blackswan group of companies were deregistered in the current period, the Blackswan operating unit was integrated into Euroz Securities Limited upon the initial acquisition and therefore, this deregistration had an insignificant impact on the goodwill balance.

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 16. INTANGIBLE ASSETS (CONT'D)

Other intangible assets

Opening balance

Addition

**Balance**

	2018	2017
	\$	\$
	1,736,240	1,721,835
	-	14,405
	<b>1,736,240</b>	<b>1,736,240</b>

Split of other intangible assets:

Client portfolio A

Client portfolio B

Client portfolio C

	\$
	500,000
	80,000
	1,156,240
	<b>1,736,240</b>

The carrying value of all 3 assets was assessed at reporting date for impairment and no impairment was considered necessary. Note 2 (v) contains further information on this impairment assessment.

### 17. TRADE AND OTHER PAYABLES

Other payables and accruals

	2018	2017
	\$	\$
	<b>4,637,251</b>	<b>3,346,290</b>

All trade creditors relating to brokerage and principal trading have been transferred to Pershing Securities (Australia) Pty Ltd who provides a trust account facility as part of the clearing and settlement service.

### 18. CURRENT TAX LIABILITIES

Provision for taxation

	5,075,257	3,251,272
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### 19. SHORT TERM PROVISIONS

Dividends

Employee entitlements (annual leave)

Employee entitlements (long service leave)

**Total**

	14,891,518	8,854,416
	1,370,079	1,346,305
	1,867,515	1,566,564
	<b>18,129,112</b>	<b>11,767,285</b>

*Dividends*

This provision represents the dividend declared by the Board before the reporting date and to be paid out to shareholders subsequent to year end.

Movements in each class of provisions, other than employee benefits, are set out below:

Carrying amount at 1 July

Additional provisions recognised

Amounts paid out

Carrying amount at 30 June

	8,854,416	3,622,711
	17,708,834	11,671,283
	(11,671,732)	(6,439,578)
	<b>14,891,518</b>	<b>8,854,416</b>

### 20. DEFERRED TAX LIABILITIES

Deferred tax liability (Note 6)

	2018	2017
	\$	\$
	2,657,601	1,114,687

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

	2018	2017
	\$	\$
<b>21. LONG TERM PROVISIONS</b>		
Employee entitlements (long service leave)	4,979	43,016

## 22. CONTRIBUTED EQUITY

### (a) Share capital

Ordinary shares

Issued and paid up capital consisting of ordinary shares (net of treasury shares)

	2018	2017	2018	2017
	Shares	Shares	\$	\$
Issued and paid up capital consisting of ordinary shares (net of treasury shares)	155,879,961	156,654,382	102,343,793	103,246,026

### (b) Movements in ordinary share capital

At the beginning of the reporting period

Acquisition of Treasury shares

Vested shares under Performance Rights Plan

Shares bought back

At the end of the year

	2018	2017
	Shares	Shares
At the beginning of the reporting period	156,654,382	158,574,382
Acquisition of Treasury shares	(1,659,000)	(1,900,000)
Vested shares under Performance Rights Plan	884,579	-
Shares bought back	-	(20,000)
At the end of the year	155,879,961	156,654,382

### (c) Movements in ordinary share capital

At the beginning of the reporting period

Acquisition of Treasury shares

Vested shares under Performance Rights Plan

Shares bought back

At the end of the year

	2018	2017
	\$	\$
At the beginning of the reporting period	103,246,026	105,226,509
Acquisition of Treasury shares	(1,908,356)	(1,964,883)
Vested shares under Performance Rights Plan	1,006,123	-
Shares bought back	-	(15,600)
At the end of the year	102,343,793	103,246,026

### (d) Treasury shares

Balance of treasury shares at the end of the reporting period

	2018	2017	2018	2017
	Shares	Shares	\$	\$
Balance of treasury shares at the end of the reporting period	(5,109,421)	(4,335,000)	(5,251,166)	(4,465,952)

Treasury shares were acquired by Employee Share Trust at various times during the year. The acquisition of Treasury shares forms part of the Performance Right Plan.

### (e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 22. CONTRIBUTED EQUITY (CONT'D)

#### (f) Options

There were no options on issue at 30 June 2018 (30 June 2017: Nil).

#### (g) Share based payments reserve

The reserve records items recognised as expenses on valuation of share based payments. The movement in the current period totalling \$1,435,476 (2017: \$1,058,057) relates to the vesting expense related to the fair value of performance rights issued in the prior year and the current year in connection with the Performance Rights Plan.

	2018 \$	2017 \$
Balance on share based payment reserve at 1 July	2,217,421	1,159,364
Recognised during the year	1,435,476	1,058,057
Vested shares under Performance Rights Plan	(1,006,123)	-
Balance on share based payments reserve at 30 June	2,646,774	2,217,421

#### (h) Capital management

The Directors primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the group. At reporting date, the group has no external borrowings and significant cash reserves. As the holder of various Australian Financial Services Licences and as a market participant of the Australian Securities Exchange the group is exposed to externally imposed capital requirements, which have been complied with at year end and throughout the year.

### 23. DIVIDENDS

Ordinary shares

Interim dividend for the half year ended 31 December 2017 of 1.75 cents (2017 - 1.75 cents) per fully paid ordinary share paid on 2 February 2018. Fully franked based on tax paid @ 30%

Final dividend declared and provided for at 30 June 2018 of 9.25 cents (2017 - 5.5 cents) per fully paid ordinary share paid on 6 August 2018. Fully franked based on tax paid @ 30%

**Total dividends provided for or paid**

2,817,314	2,817,314
14,891,518	8,854,416
<b>17,708,832</b>	<b>11,671,730</b>

Of the total dividends paid during the year, \$22,110 (2017: \$34,246) was paid to the Euroz Share Trust and is undistributed. Therefore, it has been eliminated on consolidation.

#### Franked dividends

The franked portions of the dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2018.

Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)

<b>17,922,906</b>	<b>15,704,851</b>
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These dividends are fully-franked and therefore, there are no income tax consequences for the owners of Euroz Limited.

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.



## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 24. FINANCIAL INSTRUMENTS

#### (a) Financial risk management

The group's financial instruments consist of deposits with banks, trade receivables and payables, short term investments and available for sale investments. Derivative financial instruments are not used by the group. Senior executives meet regularly to analyse and monitor the financial risk associated with the financial instruments used by the group.

#### (b) Financial risk exposure and management

##### (i) Interest rate risk

The group has no borrowings and therefore is not exposed to interest rate risk associated with debt. The group has significant cash reserves and the interest income earned from these cash reserves will be affected by movements in the interest rate. A sensitivity analysis has been provided in the note to illustrate the effect of interest rate movements on interest income earned.

##### (ii) Liquidity risk

The group manages liquidity risk using forward cash flow projections, maintaining cash reserves and having no borrowings or debt.

Trade and other payables are expected to be paid as follows:

	2018	2017
	\$	\$
Less than 1 month	4,637,251	3,346,290

##### (iii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or security, at reporting date is the carrying amount of the financial assets disclosed in the statement of financial position. There is no collateral or security held for those assets at 30 June 2018.

Credit risk arises from exposure to customers and deposits with banks. Senior management monitors its exposure to customers on a regular basis to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with Australian based banks. All trade debtors relating to brokerage and principal trading have been transferred to Pershing Securities (Australia) Pty Ltd who provides a trust account facility as part of the clearing and settlement service. Trade receivables are usually paid within 30 days.

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2018	2017
	\$	\$
Cash and cash equivalents	39,390,169	41,152,236
Receivables	2,181,061	1,855,645
Long term deposit	5,000,000	5,000,000
	<b>46,571,230</b>	<b>48,007,881</b>

##### Impairment losses

None of the consolidated group's receivables are past due date (2017: Nil).

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 24. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial risk exposure and management (cont'd)

##### (iv) Financial instruments composition and maturity analysis

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing	
	2018	2017	2018	2017	2018	2017
	%	%	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	1.46	1.14	39,390,169	41,152,236	-	-
Trade and other receivables			-	-	2,181,061	1,855,645
Financial assets held for trading			-	-	12,855,087	5,049,119
Financial assets at fair value through profit and loss			-	-	67,586,696	56,915,440
Other investments			-	-	14,519,955	9,215,893
Long term deposit	0.75	0.75	5,000,000	5,000,000	-	-
<b>Total financial assets</b>			<b>44,390,169</b>	<b>46,152,236</b>	<b>97,142,799</b>	<b>73,036,097</b>
<b>FINANCIAL LIABILITIES</b>						
Trade and other payables			-	-	4,637,251	3,346,290

The following table details the consolidated group's fair value of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2018</b>				
Assets				
Investments	94,219,411	742,327	-	94,961,738
Total Assets	94,219,411	742,327	-	94,961,738
<b>2017</b>				
Assets				
Investments	70,544,395	636,057	-	71,180,452
Total Assets	70,544,395	636,057	-	71,180,452

#### (v) Sensitivity analysis

Assuming all variables remain constant and the interest rate fluctuated by 1% at year end the effect on the consolidated group's equity and profit as follows:

	2018	2017
	\$	\$
Increase by 1%	310,731	323,066
Decrease by 1%	(310,731)	(323,066)

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 24. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial risk exposure and management (cont'd)

Assuming all variables remain constant and the equity market fluctuated by 5% at year end the effect on the group's equity and profit is as follows:

	2018	2017
	\$	\$
Increase by 5%	3,323,661	2,491,315
Decrease by 5%	(3,323,661)	(2,491,315)

### 25. REMUNERATION OF AUDITORS

#### Audit services

Audit and review of financial reports for the Group

Fees paid to PKF Mack

168,000	168,000
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#### Other services

Tax compliance services

39,800	36,200
--------	--------

Other services

17,620	14,500
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<b>57,420</b>	<b>50,700</b>
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### 26. CONTINGENT LIABILITIES

The parent entity and consolidated group had contingent liabilities at 30 June as follows:

Secured guarantees in respect of:

Operating lease of a controlled group entity

<b>807,699</b>	<b>807,699</b>
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As detailed in note 11 the consolidated group has a deposit with Pershing Securities (Australia) Pty Ltd as part of Euroz Securities Limited third party clearing arrangements. This deposit totalled \$5,000,000 at reporting date (2017: \$5,000,000).

The Group has no contingent assets at reporting date (2017: Nil).

### 27. COMMITMENTS FOR EXPENDITURE

#### Operating leases

Commitments for minimum lease payments in relation to noncancellable operating leases are payable as follows:

Within one year

1,409,270	1,357,195
-----------	-----------

Later than one year but not later than five years

1,901,319	3,205,972
-----------	-----------

Later than five years

-	-
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<b>3,310,589</b>	<b>4,563,167</b>
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Commitments not recognised in the financial statements

The lease on the premises at Level 18 Alluvion, 58 Mounts Bay Road is for the period of 10 years commencing 2 July 2010 and expiring on 1 July 2020.

The licence on the premises at Level 3, 20 Bond Street, Sydney NSW is for the period of 5 years commencing 1 December 2016 and expiring on 30 November 2021.

The licence on the premises at Level 16, 385 Bourke Street, Melbourne is for the period of 8 years commencing 1 June 2015 and expiring on 31 May 2022.

### 28. EMPLOYEE BENEFITS

#### Employee benefit and related on-costs liabilities

Provision for employee entitlements

3,242,574	2,955,885
-----------	-----------

Aggregate employee benefit and related oncosts liabilities

<b>3,242,574</b>	<b>2,955,855</b>
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## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 29. RELATED PARTIES

#### (a) Key Management Personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	4,882,092	5,324,014
Post-employment benefits	174,332	245,234
Share based payments	679,064	521,253
<b>Total compensation</b>	<b>5,735,488</b>	<b>6,090,501</b>

#### (b) Individual Key Management Personnel compensation disclosure

Information regarding individual KMP compensation and some equity instruments disclosures as required by Corporations Regulation is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no KMP has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving KMP interest existing at year end.

#### (c) Parent entity

The ultimate parent entity within the group is Euroz Limited.

#### (d) Share-based payments

During the year a performance right was issued to 92 employees (2017: 87 employees). This performance right entitles the holder to a number of shares in Euroz Limited calculated as 25% of their bonus entitlement for the year. At point of issue, these performance rights are subject to a 4 year vesting period. The fair value of each performance right is calculated as 25% of the individual's bonus entitlement.

#### (e) Wholly-owned group transactions

##### Wholly owned group

The wholly owned group consists of Euroz Limited and its wholly owned controlled entities. See Note 30.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2018	2017
	\$	\$
Transactions with related parties consisting of:		
(i) Subsidiaries		
- Loans advanced by Euroz Limited to subsidiaries	14,198,563	12,610,616
- Payments of dividends to Euroz Limited by subsidiaries	19,550,000	10,300,000
- Management fees charged by Euroz Securities Limited to subsidiaries	1,466,685	1,651,790
- Management fees charged by Prodigy Investment Partners Limited to subsidiaries	975,283	731,262
(ii) Other		
- Dividends received by Euroz Limited from investment entities	2,833,800	2,768,925
- Management fee received by the Euroz Group from investment entities	2,390,837	2,062,232
- Performance fee received by the Euroz Group from investment entities	9,725,000	920,000

##### Ownership interests in related parties

Interests held in controlled entities are set out in note 30.

##### Other transactions with Directors and specified Executives

During the year ended 30 June 2018 the Directors and KMP transacted share business through Euroz Securities Limited on normal terms and conditions.

Aggregate amounts of the above transactions with Directors and KMP of the consolidated group:

Amounts recognised as revenue	2018	2017
Brokerage earned on Key Management Personnel accounts	42,562	38,259

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 30. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2018 %	2017 %	2018 \$	2017 \$
Euroz Securities Limited	Australia	Ordinary	100	100	25,000,000	25,000,000
Detail Nominees Pty Ltd	Australia	Ordinary	100	100	-	-
Zero Nominees Pty Ltd (i)	Australia	Ordinary	100	100	-	-
Westoz Funds Management Pty Ltd	Australia	Ordinary	100	100	1,450,000	1,450,000
Euroz Employee Share Trust	Australia	Ordinary	-	-	-	-
Ozgrowth Limited*	Australia	Ordinary	40.58	40.52	-	-
Westoz Investment Company Limited*	Australia	Ordinary	27.30	27.22	-	-
Prodigy Investment Partners Limited	Australia	Ordinary	80	80	1,900,000	1,900,000
Blackswan Equities Limited (i)	Australia	Ordinary	-	100	-	6,604,000
Flinders Investment Partners Pty Ltd (ii)	Australia	Ordinary	50	50	2	2
Dalton Street Capital Pty Ltd (ii)	Australia	Ordinary	50	50	2	2
Blackswan Corporate Pty Ltd (i)	Australia	Ordinary	-	100	-	-
Blackswan Wealth Management Pty Ltd (i)	Australia	Ordinary	-	100	-	-
Westoz Australian Resources Limited	Australia	Ordinary	100	100	1	1
WIM Small Cap Limited	Australia	Ordinary	100	100	1	1
Entrust Private Wealth Management Pty Ltd	Australia	Ordinary	100	100	7,800,000	7,800,000
Prodigy Flinders Pty Ltd (ii)	Australia	Ordinary	100	100	2	2
Prodigy Corporate Pty Ltd (ii)	Australia	Ordinary	100	100	2	2
Prodigy DSC Pty Ltd (ii)	Australia	Ordinary	100	100	1	1

The ultimate parent entity in the wholly owned group is Euroz Limited.

(i) Owned by Euroz Securities Limited

(ii) Owned by Prodigy Investment Partners Limited

#### A brief description of each entity (unless inactive and dormant) is as follows:-

- Euroz Limited – Group Holding Company listed on the Australian Securities Exchange. Euroz Limited manages cash and investments including significant positions in Ozgrowth Limited and Westoz Investment Company Limited.
- Euroz Securities Limited – Financial Services Company providing stockbroking corporate finance and wealth management services with a focus on Western Australian companies.
- Westoz Funds Management Pty Ltd – Manages the mandates for two listed investment companies, Ozgrowth Limited and Westoz Investment Company Limited with a focus on investing in opportunities with a Western Australian connection.
- Zero Nominees – Custodian Company holding shares on behalf of clients of Euroz Securities Limited.
- Detail Nominees - Dormant Company that was previously used to for settlement obligation in relation to shares for the Group.
- Euroz Employee Share Trust - Vehicle established to acquire treasury shares on-market for distribution to eligible employees in connection with the Performance Rights Plan.
- Prodigy Investment Partners Limited – 80/20 joint venture with Mr Steve Tucker to create a multi boutique funds management business. The first boutique funds management partnership was launched in August 2015 with Flinders Investment Partners Pty Ltd. The second boutique, Dalton Street Capital Pty Ltd was launched in May 2016.
- Blackswan Equities Limited – The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited. This entity was deregistered in the current year.
- Blackswan Corporate Pty Ltd – The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited. This entity was deregistered in the current year.

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 30. INVESTMENTS IN CONTROLLED ENTITIES (CONT'D)

- (j) Blackswan Wealth Management Pty Ltd - The activities of the Blackswan group of entities were transferred over to Euroz Securities Limited. This entity was deregistered in the current year.
- (k) Flinders Investment Partners Pty Ltd - Boutique fund manager specialising in investing in emerging companies. Prodigy Investment Partners Limited, the controlling parent entered into a profit share arrangement with a trust resulting in a minority interest.
- (l) Dalton Street Capital Pty Ltd - Boutique fund manager specialising in alternative investment strategies. Prodigy Investment Partners Limited, the controlling parent entered into a profit share arrangement with a trust resulting in a minority interest.
- (m) Entrust Private Wealth Management Pty Ltd - Wealth management business providing advice in relation to wealth management and strategic financial planning support for the entire Euroz Group.

\*Although Ozgrowth Limited and Westoz Investment Company Limited are controlled entities, exemption from consolidation was derived from the adoption of AASB 2013-5 Investment Entities.

### 31. EVENTS SUBSEQUENT TO REPORTING DATE

In August 2018, Euroz and Prodigy announced the launch of its third boutique funds management partnership, Equus Point Capital (**Equus**). Equus is a market neutral strategy focusing on Australian equities.

Other than this matter, the Directors are not aware of any matter or circumstance subsequent to 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the consolidated group's operations in future financial years: or
- (b) the results of those operations in future financial years: or
- (c) the consolidated group's state of affairs in future financial years.

### 32. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018	2017
	\$	\$
Profit for the year	29,333,325	17,931,362
Adjustments for:		
Depreciation and amortisation	309,412	236,178
Share based payments	1,435,476	1,058,057
Unrealised loss / (gain) arising from investing activity investments	(11,742,484)	(7,661,408)
Loss on deconsolidation	29,572	-
Distributions received from investing activity investments	(3,030,590)	(3,075,861)
Distribution income reinvested	(1,132,302)	-
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	(325,482)	(305,964)
Decrease / (increase) in other current assets	(2,884,940)	(69,989)
Decrease / (Increase) in inventories	(7,805,967)	777,434
Decrease / (Increase) in deferred tax assets	3,130,432	1,017,076
Increase / (decrease) in trade and other payables	1,290,961	2,142,118
Increase / (decrease) in current tax liabilities	1,823,985	2,806,573
Increase / (decrease) in deferred tax liabilities	1,542,914	299,222
Increase / (decrease) in provisions (excluding dividends)	286,689	761,136
<b>Net cash from / (used in) operating activities</b>	<b>12,261,001</b>	<b>15,915,934</b>

## Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2018

### 33. EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic earnings per share	19.91	12.30
Diluted earnings per share	19.42	12.03

#### Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.

	2018 Number	2017 Number
	156,988,680	157,436,897

Weighted average number of ordinary shares and potential ordinary shares (including treasury shares) used as the denominator in calculating diluted earnings per share.

	160,989,382	160,990,695
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The profit after tax figures used to calculate the earnings per share for both the basic and diluted calculations was the same as the profit figure from statement of profit or loss.

### 34. PARENT ENTITY DISCLOSURES

#### FINANCIAL POSITION

##### Assets

	2018 \$	2017 \$
Current assets	34,794,547	13,594,961
Non-current assets	120,376,753	118,685,279
<b>Total assets</b>	<b>155,171,300</b>	<b>132,280,240</b>

##### Liabilities

Current liabilities	19,961,112	12,169,390
Non-current liabilities	1,658,457	396,518
<b>Total liabilities</b>	<b>21,619,569</b>	<b>12,565,908</b>

##### Equity

Issued capital	102,379,250	103,258,624
Retained earnings	28,572,116	14,268,921
Reserves		
Share Based Payment Reserve	2,600,365	2,186,787
<b>Total equity</b>	<b>133,551,731</b>	<b>119,714,332</b>

#### FINANCIAL PERFORMANCE

Profit for the year	32,012,030	19,699,176
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>32,012,030</b>	<b>19,699,176</b>

### 35. COMPANY DETAILS

The registered office and principal place of business address of the Company is:

Euroz Limited  
Level 18 Alluvion  
58 Mounts Bay Road  
PERTH WA 6000

# Directors' Declaration

For the year ended 30 June 2018

## DIRECTORS' DECLARATION

The Directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' Report and designated as audited, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and Corporations Regulations 2001;
  - (b) give a true and fair view of the Company's and consolidated group's financial position as at 30 June 2018 and of their performance for the year ended on that date;
  - (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
2. The Chief Executive Officer and Chief Financial Officer have declared in accordance with section 295A of the Corporations Act 2001 that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

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



**ANDREW MCKENZIE**  
*Executive Chairman*

Date: 30 August 2018



**ROBERT BLACK**  
*Executive Director*



# Independent Auditor's Report to the Members of Euroz Limited

For the year ended 30 June 2018



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROZ LIMITED

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Euroz Limited (the company), 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Euroz Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

#### Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. This matter was 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 this matter. Our description of how our audit addressed the matter is provided in that context.

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# Independent Auditor's Report to the Members of Euroz Limited

For the year ended 30 June 2018



## Carrying value and impairment of intangible assets

### Why significant

At reporting date, the consolidated entity has capitalised intangible assets including goodwill totalling \$10,178,785 as disclosed in Note 16.

Under Australian Accounting Standards, an entity shall assess whether at the end of the reporting period there is any indication that its intangible assets are impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. At year end, the consolidated entity has concluded that there were no impairment triggers. As a result no impairment was recognised during the year.

The assumptions of indicators of impairment are highly judgemental and include modelling key assumptions and estimates based on past and current performance that may be impacted by future performance and economic conditions.

Key assumptions, judgements and estimates used in the consolidated entity's assessment of impairment of intangible assets are set out in the financial report in Note 2 (iv) and (v). The accounting policy in relation to intangible assets is set out in Note 1 (y).

### Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

### Directors' Responsibilities 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 the 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 Note 1,

### How our audit addressed the key audit matter

We evaluated the assumptions, methodologies and conclusions used by the consolidated entity in particular, those relating to the determination of each Cash Generating Unit ("CGU"), forecast inflows and inputs used to formulate them.

This included assessing the reasonableness of the significant assumptions including the discount rates adopted in the consolidated entity's models and performing sensitivity analysis on the consolidated entity's inputs.

We assessed the reasonableness of the anticipated future inflows from each CGU.

We also considered the adequacy of the financial report disclosures concerning the judgemental nature of the consolidated entity's assessment of impairment of these intangible assets. These key assumptions, judgements and estimates are set out in the financial report in Note 2 (iv) and (v).

# Independent Auditor's Report to the Members of Euroz Limited

For the year ended 30 June 2018



the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards. In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

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

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 consolidated entity'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 consolidated entity to cease to continue as a going concern.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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.

# Independent Auditor's Report to the Members of Euroz Limited

For the year ended 30 June 2018

**PKF MACK**

Accounting, Financial and Business Advisory

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Euroz 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.



PKF MACK



SHANE CROSS  
PARTNER

30 AUGUST 2018  
WEST PERTH

## Shareholder Information

Ordinary Shares at 30 August 2018

### A) DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding:

Range	Holders	Shares	% Units
1 - 1,000	311	121,701	0.08
1,001 - 5,000	419	1,254,160	0.78
5,001-10,000	242	1,943,040	1.21
10,001 - 100,000	616	20,897,587	12.98
100,001 Over	173	136,772,894	84.96
<b>TOTAL Holders</b>	<b>1,761</b>	<b>160,989,382</b>	<b>100.00</b>

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 1.2500 per unit	400	184	27,800

### B) TOP HOLDERS

The twenty largest holders of ordinary fully paid shares are listed below:

Rank	Name	Shares	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,309,830	8.27
2	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	7,600,000	4.72
3	MRS CATHERINE PATRICIA MCKENZIE	5,950,000	3.70
4	CPU SHARE PLANS PTY LTD <EZL BDS CONTROL A/C>	5,539,558	3.44
5	MR ANDREW MCKENZIE + MRS CATHERINE MCKENZIE <A WMCKENZIE SUPER FUND A/C>	4,452,392	2.77
6	ICE COLD INVESTMENTS PTY LTD	4,000,000	2.48
7	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	3,617,661	2.25
8	ICE COLD INVESTMENTS PTY LTD <G & J BROWN SUPER FUND A/C>	3,502,500	2.18
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,413,682	2.12
10	MR JAY HUGHES + MRS LINDA HUGHES <INKESE SUPER A/C>	3,010,031	1.87
11	MR ROBERT HIRZEL BLACK	2,865,000	1.78
12	MR SIMON DAVID YEO + MRS JENNIFER DALE YEO <THE CAPE INVESTMENT A/C>	2,338,719	1.45
13	CITICORP NOMINEES PTY LIMITED	2,293,964	1.42
14	ICON HOLDINGS PTY LTD <THE K J PAGANIN FAMILY A/C>	2,250,000	1.40
15	MRS MELANIE JANE CHESSELL	2,070,272	1.29
16	BNM HOLDINGS PTY LTD <BJD BERESFORD FAMILY A/C>	2,020,100	1.25
17	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	2,000,000	1.24
17	WESTRADE RESOURCES PTY LTD <SHEPPARD SUPER FUND A/C>	2,000,000	1.24
19	MR SIMON DAVID YEO + MRS JENNIFER DALE YEO <CAPE SUPERANNUATION FUND A/C>	1,892,000	1.18
20	MR GREGORY CHESSELL + MRS MELANIE CHESSELL <GREG CHESSELL SUPER FUND A/C>	1,818,000	1.13
	<b>Total</b>	<b>75,943,709</b>	<b>47.17%</b>
	<b>Remainder</b>	<b>85,045,673</b>	<b>52.83%</b>
	<b>Grand Total</b>	<b>160,989,382</b>	<b>100.0%</b>

## Euroz Limited Contact Details

### EUROZ SECURITIES LIMITED

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### WESTOZ FUNDS MANAGEMENT PTY LTD

Level 18 Alluvion 58 Mounts Bay Road PERTH WA 6000	PO Box Z5036 St Georges Terrace Perth 6831 Western Australia	T: +61 8 9321 7877 F: +61 8 9321 8288  <a href="http://westozfunds.com.au">westozfunds.com.au</a>	Westoz Funds Management Pty Ltd ACN 106 677 721 AFSL 285607
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### OZGROWTH LIMITED

Level 18 Alluvion 58 Mounts Bay Road PERTH WA 6000	PO Box Z5036 St Georges Terrace Perth 6831 Western Australia	T: +61 8 9321 7877 F: +61 8 9321 8288  <a href="http://ozgrowth.com.au">ozgrowth.com.au</a>	Ozgrowth Limited ACN 126 450 271
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### WESTOZ INVESTMENT COMPANY LIMITED

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### PRODIGY INVESTMENT PARTNERS LIMITED

Level 3 20 Bond Street SYDNEY NSW 2000		T: +61 2 8651 3490  <a href="http://prodigyinvest.com.au">prodigyinvest.com.au</a>	Prodigy Investment Partners Limited ACN 600 471 430 AFSL 466173
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### FLINDERS INVESTMENT PARTNERS PTY LTD

Level 15 385 Bourke Street MELBOURNE VIC 3000		T: +61 3 9909 2690  <a href="http://flindersinvest.com.au">flindersinvest.com.au</a>	Flinders Investment Partners Pty Ltd ACN 604 121 271 Flinders Investment Partners Pty Ltd is a Corporate Authorised Representative (#001234191) of Prodigy Investment Partners Limited AFSL 466173
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### DALTON STREET CAPITAL PTY LTD

Level 3 20 Bond Street SYDNEY NSW 2000		T: +61 2 8651 3490  <a href="http://daltonstreetcapital.com">daltonstreetcapital.com</a>	Dalton Street Capital Pty Ltd ACN 609 114 034 Dalton Street Capital Pty Ltd is a Corporate Authorised Representative (#001239803) of Prodigy Investment Partners Limited AFSL 466173
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### ENTRUST PRIVATE WEALTH MANAGEMENT PTY LTD

Level 18 Alluvion 58 Mounts Bay Road PERTH WA 6000	PO Box Z5034 Perth 6831 Western Australia	T: +61 8 9476 3900 F: +61 8 9321 6333 E: <a href="mailto:info@entrustpwm.com.au">info@entrustpwm.com.au</a>  <a href="http://entrustpwm.com.au">entrustpwm.com.au</a>	Entrust Private Wealth Management Pty Ltd ACN 100 088 168 AFSL 222152
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