

23 February 2022

Appendix 4D

Half- yearly report Period ended 31 December 2021

EUROZ HARTLEYS GROUP LIMITED

ABN 53 000 364 465

Results for announcement to the market

Extracts from this report for announcement to the market

	31 Dec 21	31 Dec 20 (Restated)	Change \$	\$AUD Change %
Revenue from ordinary activities	\$55,065,604	\$46,389,198	\$8,676,406	18.7%
Profit/(loss) from ordinary activities after tax attributable to members	\$22,877,869	\$25,077,161	(\$2,199,292)	(8.8%)
Net Profit/(loss) for the period attributable to members	\$22,877,869	\$25,077,161	(\$2,199,292)	(8.8%)
Net Tangible Assets per share	\$0.81	\$0.66		22.4%
Dividends and Distributions	Amount per security		Franked amount per security	
Interim Dividend	2.5 cents		2.5 cents	
Record date for determining entitlements to the interim dividend				10 Feb 2022
Last date for election to participate in Dividend Reinvestment Plan				11 Feb 2022
Dividend payable date				25 Feb 2022
The Company's dividend reinvestment plan was applicable to the interim dividend.				

Results commentary for announcement to the market

Euroz Hartleys Group Limited (“**Euroz Hartleys**”) reports solid profitability for the first half of the 2022 financial year.

Euroz Hartleys is Western Australia’s largest stockbroking and wealth management business and we are proud of the very significant efforts of our 195 staff who are the major driver of our ongoing success and growth.

On a headline basis, Euroz Hartleys reports an audited net profit after tax (attributable to members) of \$22.9 million for the 6 months to 31 December 2021, down 8.8% versus the previous corresponding period.

The Group’s underlying cash profit for the six months is \$9.4 million. This is an unreviewed, non International Financial Reporting Standards (IFRS) measure arrived at after adjusting the Group’s Profit after tax of \$22.9 million for the exclusion of the Group’s share of profit of equity accounted investments of \$12.6 million, reversal of impairment of \$6.5 million, unrealised fair value gains on securities of \$1.8 million and reversal of tax effect of the above adjustments of \$5.8 million but inclusive of dividends received from associates, Westoz Investment Company Limited (Westoz) and Ozgrowth Limited (Ozgrowth) of \$1.6 million.

Our balance sheet of \$180.2 million of cash and investments continues to support our activities, differentiates us from many of our competitors and provides confidence to our significant adviser network and their large client base.

The Board welcomes the proposed WAM Capital Limited (“WAM”) schemes offered to all shareholders of WIC and OZG. Since inception, Euroz Hartleys has invested ~\$66.8 million into these listed investment companies and currently owns 26.25% of WIC and 40.58% of OZG.

The Directors are pleased to announce a first half dividend of 2.5 cents per share fully franked, consistent with the previous corresponding period.

Highlights

- **Solid equity capital market (“ECM”) raisings and brokerage revenues driving underlying cashflow and profitability**
- **Six-month gross ECM raisings of \$743 million**
- **Record group Funds Under Management (“FUM”) of \$3.7 billion**
- **First half gross investment performance of 15.7% for WIC and 32.8% for OZG**
- **Scheme of Arrangement announced by WAM for WIC and OZG**
- **Cash and investments of \$180.2 million**

Change in Accounting Treatment for WIC and OZG

The Directors highlight that following consultation with our auditors, KPMG, the group will no longer utilise the Investment Entity classification and going forward will equity account our investments in WIC and OZG. Our Consolidated Income Statement now excludes any mark to market movements and dividends received but includes our share of profit in WIC and OZG. At 31 December 2021, these investments are held at their carrying value of \$93.3 million in total.

Euroz Hartleys Executive Chairman, Andrew McKenzie commented:

“We are pleased with the performance of all aspects of our Euroz Hartleys business. Euroz Hartleys has benefited from a rebounding Western Australian economy and strong commodity prices which also have contributed to our share of profits from WIC and OZG. Capital markets activity was still good but somewhat quieter compared to the prior bumper year. Our balance sheet has further strengthened from continued good profitability and an uplift in the value of our many investments, taking our cash and investments to \$180.2 million.”

We remind investors our second half performance and final dividend will be dependent on market sentiment, commodity prices, resulting ECM and corporate advisory activity and the performance of our significant investments.

For further information please contact:

Andrew McKenzie

Executive Chairman

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This announcement is authorised for release by the officer named above.

Reporting period

The financial information contained in this report is for the six-month period ended 31 December 2021. This document should be read in conjunction with the Interim Financial Report and any public announcements made in the period by Euroz in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Euroz Hartleys Group Limited (formerly Euroz Limited)

ABN 53 000 364 465

Financial Report

For the half year ended 31 December 2021

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group (“Euroz Hartleys Group Limited and its controlled entities”) for the half-year ended 31 December 2021.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Andrew McKenzie
Jay Hughes
Robert Black
Ian Parker
Richard Simpson
Robin Romero

COMPANY SECRETARY

Anthony Hewett

PRINCIPAL ACTIVITIES

On 22 November 2021, Euroz Limited changed its name to Euroz Hartleys Group Limited.

During the half-year the principal activities of the consolidated group consisted of:

- Stockbroking, Corporate Finance and Wealth management;
- Funds management and
- Investing.

OPERATING RESULTS AND REVIEW OF OPERATIONS

The Directors of Euroz Hartleys Group Limited (“Group”) announce a net profit after tax (attributable to members) of \$22.9 million for the 6 months to 31 December 2021 (2020: \$25.1 million).

Euroz Hartleys Limited (“Euroz Hartleys”) is Western Australia’s largest stockbroking and wealth management business and we are pleased with the very significant efforts of our 192 staff who are the major driver of our ongoing success and growth.

On a headline basis, the Group’s audited net profit after tax (attributable to members) of approximately \$22.9 million for the 6 months to 31 December 2021, down 8.8% versus the previous corresponding period.

The Group’s underlying cash profit for the six months is \$9.4 million. This is an unreviewed, non International Financial Reporting Standards (IFRS) measure arrived at after adjusting the Group’s Profit after tax of \$22.9 million for the exclusion of the Group’s share of profit of equity accounted investments of \$12.6 million, reversal of impairment of \$6.5 million, unrealised fair value gains on securities of \$1.8 million and reversal of tax effect of the above adjustments of \$5.8 million but inclusive of dividends received from associates, Westoz Investment Company Limited (Westoz) and Ozgrowth Limited (Ozgrowth) of \$1.6 million.

Underlying cash profitability was driven by a good performance in Equity Capital Market (“ECM”) raisings of \$743 million versus the corresponding half year of \$918 million. Brokerage income at the half year was up 44.9% versus the previous corresponding half year reporting period.

The Group’s combined Funds Under Management (“FUM”) as at 31 December 2021 was \$3.7 billion an increase of 19.4% from \$3.1 billion as at 31 December 2020.

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

DIRECTORS' REPORT (continued)

Westoz Funds Management ('WFM') had another strong period of performance with Westoz and Ozgrowth having gross investment performance of 15.7% and 32.8% respectively for the 6 months to 31 December 2021. The performance of these significant investments continues to be a major influence on our reported profitability. For the 6 months to 31 December 2021, Westoz and Ozgrowth contributed a total of \$12.6 million to our headline reported profit.

On 23 December 2021 WAM Capital Limited (WAM Capital), Westoz and Ozgrowth announced that they have entered into Scheme Implementation Agreements to merge the three entities under separate transactions (Proposed Transactions). Each Proposed Transaction is independent and the two mergers are not inter-conditional.

It is proposed that WAM Capital will acquire 100% of the shares in Westoz and Ozgrowth that it does not currently own through a Scheme of Arrangement (Scheme) with each entity. Under each Scheme, Westoz and Ozgrowth shareholders will receive new WAM Capital shares as consideration for their respective shares. The number of WAM Capital shares to be offered for each Westoz and Ozgrowth share under their respective Schemes will be determined by a formula, based on the ratio of the share price of WAM Capital to the net tangible assets (NTA) of Westoz and Ozgrowth before tax (pre-tax NTA).

The Board acknowledges and welcomes the proposed scheme offers to Westoz and Ozgrowth.

Previously, the Group applied the investment entity accounting exemption within AASB 10 *Consolidated Financial Statements* (the investment entity exemption) to its investments in Westoz and Ozgrowth and accounted for these investments at fair valued through profit and loss. Dividends received from associates were recognised as revenue from continuing operations.

During the period, a reassessment of the accounting treatment of the Group's investments in Westoz and Ozgrowth was performed. As a result, the Group is now accounting for its investments in Westoz and Ozgrowth as associates using the equity accounting method and tested these investments for impairment as described in the Group's accounting policies. At 31 December 2021, these investments are held at their carrying value of \$93.3 million in total.

The Board is pleased that our businesses remain strongly leveraged to the commodity price cycle and to Western Australia in general and are both performing well.

We remind investors that our second half year performance and final dividend will be dependent on market sentiment, commodity prices and resulting ECM activity.


DIVIDENDS

A fully franked dividend of 2.5 cents per share was provided for and payable on 25 February 2022.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2021.

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



Andrew McKenzie
Executive Chairman
22 February 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Euroz Hartleys Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Euroz Hartleys Group Limited for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG representative in blue ink, appearing as 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in blue ink, appearing as 'TH' in a stylized, cursive font.

Trevor Hart
Partner

Perth

22 February 2022



Independent Auditor's Review Report

To the shareholders of Euroz Hartleys Group Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Euroz Hartleys Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Euroz Hartleys Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2021.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Euroz Hartleys Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – restatement of comparative balances

We draw attention to Note 12 of the Half-year Financial Report which states that the amounts recorded in the previously issued 31 December 2020 Half-year Financial Report have been restated and disclosed as comparatives in this Half-year Financial Report. Our conclusion is not modified in respect of this matter.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Trevor Hart
Partner

Perth

22 February 2022

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

	Note	31 December 2021	Restated 31 December 2020 (i)
		\$	\$
Revenue	3	55,065,604	46,389,198
Share of profits of equity accounted investments, net of tax	9	12,563,383	16,084,391
Gain on fair value movement on investments		3,258,446	9,424,391
Brokerage and underwriting expenses		(2,622,765)	(4,663,654)
Employee benefits expense		(35,177,259)	(28,792,014)
Depreciation and amortisation expenses		(1,409,409)	(814,271)
Regulatory expenses		(663,247)	(295,710)
Consultancy expenses		(955,463)	(615,641)
Conference and seminar expenses		(193,604)	(106,997)
Impairment reversal / (expense)	9	6,510,348	1,955,319
Other expenses		(2,906,942)	(2,635,525)
Profit before income tax expense		33,469,092	35,929,487
Income tax expense		(10,591,223)	(10,852,326)
Profit after income tax expense for the period		22,877,869	25,077,161
Other comprehensive income			
Other comprehensive income net of tax		-	-
Total comprehensive income for the period		22,877,869	25,077,161
Profit for the period is attributable to:			
Owners of Euroz Hartleys Group Limited		22,877,869	25,077,161
		22,877,869	25,077,161
Total comprehensive income for the period is attributable to:			
Owners of Euroz Hartleys Group Limited		22,877,869	25,077,161
		22,877,869	25,077,161
		Cents	Cents
Basic earnings per share		12.17	14.23
Diluted earnings per share		11.63	14.11

(i) Refer to note 12

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

EUROZ HARTLEYS GROUP LIMITED
AS AT 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021 \$	Restated 30 June 2021 (i) \$
Current assets			
Cash and cash equivalents	7	78,464,923	96,050,325
Trade and other receivables	8	11,924,882	28,779,550
Other financial assets	8	24,606,489	21,455,932
Other current assets		<u>2,527,303</u>	<u>2,804,724</u>
Total current assets		<u>117,523,597</u>	<u>149,090,531</u>
Non-current assets			
Financial assets	8	1,235,983	1,362,701
Investments	8	990,540	826,040
Equity accounted investments	9	93,334,185	75,827,068
Plant and equipment		2,878,819	1,129,497
Deferred tax assets		8,539,292	9,013,841
Intangible assets		39,666,181	39,969,660
Right of use asset		<u>4,865,841</u>	<u>5,494,070</u>
Total non-current assets		<u>151,510,841</u>	<u>133,622,877</u>
Total assets		<u>269,034,438</u>	<u>282,713,408</u>
Current liabilities			
Trade and other payables	10	46,645,353	81,057,681
Current tax liabilities		2,276,993	8,123,786
Short term provisions		7,856,493	7,526,510
Lease liabilities		<u>1,309,596</u>	<u>1,354,249</u>
Total current liabilities		<u>58,088,435</u>	<u>98,062,226</u>
Non-current liabilities			
Deferred tax liabilities		14,400,674	8,602,736
Long term provisions		131,334	109,882
Lease liabilities		<u>4,241,027</u>	<u>4,836,380</u>
Total non-current liabilities		<u>18,773,035</u>	<u>13,548,998</u>
Total liabilities		<u>76,861,470</u>	<u>111,611,224</u>
Net assets		<u>192,172,968</u>	<u>171,102,184</u>
Equity			
Share capital	11 (a)	137,982,847	134,665,226
Reserves	11 (e)	7,739,005	7,955,369
Retained earnings		<u>46,451,116</u>	<u>28,481,589</u>
Total equity		<u>192,172,968</u>	<u>171,102,184</u>

(i) Refer to note 12

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

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Retained Earnings	Share based payment reserve	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	134,665,226	28,481,589	7,955,369	-	171,102,184
Profit for the period	-	22,877,869	-	-	22,877,869
Total comprehensive income for the period	-	22,877,869	-	-	22,877,869
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period (Note 11)	2,446,514	-	-	-	2,446,514
Vested shares under Performance Rights Plan	2,101,171	-	(2,101,171)	-	-
Treasury shares acquired	(1,230,064)	-	-	-	(1,230,064)
Share based payments	-	-	1,884,807	-	1,884,807
Dividends to equity holders	-	(4,908,342)	-	-	(4,908,342)
Total contributions by and distributions to owners	3,317,621	(4,908,342)	(216,364)	-	(1,807,085)
Balance at 31 December 2021	137,982,847	46,451,116	7,739,005	-	192,172,968

	Issued Capital	Retained Earnings	Share based payment reserve	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2020	102,167,440	7,267,597	4,869,667	29,813	114,334,517
Profit for the period	-	25,077,161	-	(29,813)	25,047,348
Total comprehensive income for the period	-	25,077,161	-	(29,813)	25,047,348
<i>Transactions with owners, recorded directly in equity</i>					
Shares issued during the period (Note 11)	38,280,087	-	-	-	38,280,087
Vested shares under Performance Rights Plan	2,167,647	-	(2,167,647)	-	-
Treasury shares acquired	(1,738,522)	-	-	-	(1,738,522)
Share based payments	-	-	1,263,018	-	1,263,018
Dividends to equity holders	-	(4,957,603)	-	-	(4,957,603)
Total contributions by and distributions to owners	38,709,212	(4,957,603)	(904,629)	-	32,846,980
Balance at 31 December 2020	140,876,652	27,387,155	3,965,038	-	172,228,845

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

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2021	31 December 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	69,298,011	56,764,052
Proceeds from sale of shares	4,436,841	7,019,904
Payments to suppliers and employees	(52,690,353)	(48,262,004)
Payments for shares	(2,106,096)	(6,980,138)
Interest received	68,445	102,477
Income taxes paid	(10,165,529)	(5,343,157)
	<u>8,841,319</u>	<u>3,301,134</u>
Net cash inflow from operating activities		
Cash flows from investing activities		
Cash acquired on acquisition of subsidiary	-	21,553,543
Term deposit	92,277	-
Dividends and trust distributions received	1,596,061	1,494,686
Payments for property, plant and equipment	(2,227,022)	(170,390)
	<u>(538,684)</u>	<u>22,877,839</u>
Net cash from investing activities		
Cash flows from financing activities		
Payment for treasury shares	(1,230,064)	(1,738,522)
Dividends paid	(26,377,834)	(9,820,740)
Repayment of lease liabilities	(605,519)	(528,525)
Interest paid on lease liabilities	(121,134)	(101,444)
Proceeds from share issue	2,446,514	-
	<u>(25,888,037)</u>	<u>(12,189,231)</u>
Net cash used in financing activities		
Net increase / (decrease) in cash and cash equivalents	(17,585,402)	13,989,742
Cash and cash equivalents at 1 July (Note 7)	<u>96,050,325</u>	<u>41,106,390</u>
Cash and cash equivalents at 31 December (Note 7)	<u>78,464,923</u>	<u>55,096,132</u>

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

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Statement of significant accounting policies

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Euroz Hartleys Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Euroz Hartleys Group Limited is a company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange. The half-year financial report is presented in Australian dollars.

This consolidated half-year financial report was approved by the Board of Directors for issue on 22 February 2022.

(a) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost 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. Cost is based on the fair values of the consideration given in exchange for assets.

The consolidated financial statements are presented in Australian Dollars, which is the consolidated Group's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

The financial report presents reclassified comparative information where required for consistency with the current half year's presentation.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated group's annual financial report for the financial year ended 30 June 2021 with the exception of those noted below in "*Adoption of new or revised accounting standards and interpretations*" and amounts restated, refer to Note 12.

The half-year report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business.

(b) Adoption of new or revised accounting standards and interpretations

The consolidated group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgment made by management in applying the consolidated group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2021.

**EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Statement of significant accounting policies (continued)

(d) Equity accounted investments

Associates are those entities which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. These equity accounted investments are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss of equity accounted investees until the date on which significant influence ceases. Dividends received from associates are recognised as a reduction to the equity accounted investments.

At each reporting date, the Group reviews the carrying amounts of its equity accounted investments to determine whether there is an indication of impairment. If any indication exists, then the asset's recoverable amount is estimated, being the higher of value in use and fair value less costs of disposal. The Group measures fair value of its equity accounted investments using a quoted price in an active market for that investment, when one is available.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount and is recognised in profit or loss.

Any impairment loss recognised is reversed only to the extent that the asset's carrying amount does not exceed its carrying amount that would have been determined if no impairment loss had been recognised.

**EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2: Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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.

The consolidated group's reportable segments under AASB 8 are therefore as follows;

Retail

Retail refers to private wealth advisers who provide investment advice to individuals, wealth accumulators or retirees, superannuation, self-managed superannuation Trustees or Directors, family offices and not-for-profit organisations. Private wealth advisers offer advice access a broad range of asset classes for their clients. The wealth management team provides strategic investment advice, superannuation advice, investment management and portfolio administration service. The specialised broking services allows close interaction between research analysts and private wealth advisers and hence allowing timely communication with clients.

Wholesale

Wholesale refers to the Institutional Dealing, Research and Corporate Finance team who deal with companies and other institutional clients. The Institutional dealing team provides quality advice, idea generation, site visits, roadshows highly focused on resources, mining services and small to mid-cap predominantly Western Australia (WA) industrials. Working along the Institutional team is the Research team which has extensive coverage of ASX listed industrials, resources and energy companies. The Corporate Finance team specialises in Equity Capital Markets (ECM), Mergers and Acquisitions (M&A) and strategic Corporate Advisory.

Funds Management

The consolidated group provides funds management services through Westoz Funds Management ("WFM"). WFM manages funds under mandate from two listed investment companies, Westoz Investment Company Limited ("Westoz") and Ozgrowth Limited ("Ozgrowth"). Both companies have enjoyed competitive portfolio returns since inception. Investments in Westoz and Ozgrowth are equity accounted per the Group's policy refer to Note 1 (d).

Due to the nature of the business providing financial services to the clients driven by the employees, management does not consider asset and liabilities separation to be an appropriate measure of segments.

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.

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2: Segment information (continued)

Segment performance

	Retail	Wholesale	Funds Management	Other	Total
	\$	\$	\$	\$	\$
31 December 2021					
Brokerage	13,633,325	5,069,047	-	-	18,702,372
Underwriting and placement fees	5,261,092	16,054,909	-	-	21,316,001
Performance and management fees	-	-	1,489,232	-	1,489,232
Wealth management fees	9,035,958	23,884	-	-	9,059,842
Corporate advisory	-	4,328,280	-	-	4,328,280
Dividends and trust distributions received	-	-	-	29,448	29,448
Interest received	-	-	9,797	58,648	68,445
Other revenue	-	45,182	-	26,802	71,984
Total segment revenue	27,930,375	25,521,302	1,499,029	114,898	55,065,604
Segment net operating profit after tax	4,525,615	7,708,400	658,893	9,984,961	22,877,869

	Retail (i)	Wholesale (i)	Funds Management (i)	Other (i)	Total (i)
	\$	\$	\$	\$	\$
31 December 2020 (Restated (ii))					
Brokerage	8,937,560	3,970,370	-	-	12,907,930
Underwriting and placement fees	2,658,755	21,291,273	-	-	23,950,028
Performance and management fees	-	-	1,238,846	-	1,238,846
Wealth management fees	6,075,285	14,189	-	-	6,089,474
Corporate advisory	-	1,495,275	-	-	1,495,275
Dividends and trust distributions received (ii)	-	-	-	7,826	7,826
Interest received	-	-	5,135	45,273	50,408
Other revenue	-	105,000	-	544,411	649,411
Total segment revenue	17,671,600	26,876,107	1,243,981	597,510	46,389,198
Segment net operating profit after tax	2,920,237	5,256,811	340,998	16,559,115	25,077,161

(i) As a result of the acquisition of Hartleys Limited during the year ended 30 June 2021 and the consolidation of Euroz Hartleys Securities Limited, Euroz Hartleys Limited and Entrust Wealth Management Pty Ltd into one business, the consolidated group has changed its internal organisation and the composition of its operating segments, which resulted in a change in reportable segments. Accordingly, the consolidated group has restated the previously reported segment information for the half year ended 31 December 2020.

(ii) Refer to note 12 for restatement impact of prior period adjustment. As a result dividend revenue decreased from \$1,501,583 to \$7,826 in the December 2020 comparative financial information.

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3: Revenue

	31 December 2021	Restated 31 December 2020 (i) (ii)
	\$	\$
Brokerage	18,702,372	12,907,930
Underwriting and placement fees	21,316,001	23,950,028
Performance and management fees	1,489,232	1,238,846
Wealth management fees	9,059,842	6,089,474
Corporate advisory fees	4,328,280	1,495,275
Dividends and trust distributions received (ii)	29,448	7,826
Interest received	68,445	50,408
Other revenue	71,984	649,411
	<u>55,065,604</u>	<u>46,389,198</u>

(i) As a result of the acquisition of Hartleys Limited during the year ended 30 June 2021 and the consolidation of Euroz Hartleys Securities Limited, Euroz Hartleys Limited and Entrust Wealth Management Pty Ltd into one business, the consolidated group has changed its internal organisation and stream lined classification and recording of transactions which has resulted in reclassification of comparative information where required for consistency with the current half year's presentation.

(ii) Refer to note 12 for restatement impact of prior period adjustment. As a result dividend revenue decreased from \$1,501,583 to \$7,826 in the December 2020 comparative financial information.

Note 4: Dividends

	31 December 2021	31 December 2020
	\$	\$
Fully franked ordinary dividend declared on 21 December 2021 of 2.5 cents (2020: 2.5 cents) per share franked at the tax rate of 30% (2020: 30%). This has been recognised as a provision in the consolidated statement of financial position at 31 December 2021.	<u>4,925,481</u>	<u>4,887,958</u>

Note 5: Contingent liabilities and assets

The parent entity and consolidated group had contingent liabilities at 31 December as follows:

	31 December 2021	30 June 2021
	\$	\$
Secured guarantees in respect of leases of a controlled group entity:		
Westpac Banking Corporation	920,996	1,013,514
Bankwest	625,665	625,423
	<u>1,546,661</u>	<u>1,638,937</u>
Secured guarantees in respect of leases of the consolidated group	<u>1,546,661</u>	<u>1,638,937</u>

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 5: Contingent liabilities and assets (continued)

The consolidated group has a deposit with FinClear Services Pty Ltd (formerly Pershing Securities (Australia) Pty Ltd) as part of Euroz Hartleys Limited international trading and settlement arrangements. This deposit totalled \$400,000 at reporting date (30 June 2021: \$400,000).

The group has no contingent assets at reporting date.

Note 6: Subsequent events

The Directors are not aware of any other matter or circumstance subsequent to 31 December 2021 that has significantly affected, or may significantly affect the consolidated group's operations in future financial years, the results of those operations in future financial years, or the consolidated group's state of affairs in future financial years.

Note 7: Cash and cash equivalents

	31 December 2021 \$	30 June 2021 \$
Cash at bank and on hand	59,182,203	78,587,456
Restricted cash:		
Cash margin account	1,382,331	3,330,943
Client trust account	17,900,389	14,131,926
Total restricted cash	<u>19,282,720</u>	<u>17,462,869</u>
Total cash and cash equivalents	<u>78,464,923</u>	<u>96,050,325</u>

The cash margin account is held by the Australian Securities Exchange (ASX) as a margin requirement to cover possible market participant default and is adjusted each day to reflect the Company's current obligation to the clearing house at ASX. Client trust bank balances are client funds, and not available for general use by the Group.

Note 8: Fair value measurement

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). Techniques, such as estimated discounted cash flows and Black-Scholes model are used to determine fair value for the financial instruments.

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

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8: Fair value measurement (continued)

31 December 2021	Note	Carrying amount		Fair value				
		Mandatorily at FVTPL (ii)	Financial assets / liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$	\$	\$	\$
Current financial assets								
Cash and cash equivalents (i)	7	-	78,464,923	78,464,923	-	-	-	-
Trade and other receivables (i)		-	11,924,882	11,924,882	-	-	-	-
Other Financial Assets		24,606,489	-	24,606,489	13,251,139	11,246,349	109,001	24,606,489
Non - Current financial assets								
Financial assets (i)		-	1,235,983	1,235,983	-	-	-	-
Investments		990,540	-	990,540	-	-	990,540	990,540
Current financial liabilities								
Trade and other payables (i)		-	46,645,353	46,645,353	-	-	-	-
		25,597,029	44,980,435	45,970,975	13,251,139	11,246,349	1,099,541	25,597,029

**EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8: Fair value measurement (continued)

30 June 2021	Note	Carrying amount		Fair value				
		Mandatorily at FVTPL (ii) (iii)	Financial assets / liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$	\$	\$	\$
Current financial assets								
Cash and cash equivalents (i)	7	-	96,050,325	96,050,325	-	-	-	-
Trade and other receivables (i)		-	28,779,550	28,779,550	-	-	-	-
Other Financial Assets		21,455,932	-	21,455,932	14,683,377	6,589,954	182,601	21,455,932
Non - Current financial assets								
Financial assets (i)		-	1,362,701	1,362,701	-	-	-	-
Investments		826,040	-	826,040	-	-	826,040	826,040
Current financial liabilities								
Trade and other payables (i)		-	81,057,681	81,057,681	-	-	-	-
		22,281,972	45,134,895	67,416,867	14,683,377	6,589,954	1,008,641	22,281,972

(i) Balances are measured at amortised cost and their carrying amount approximates fair value

(ii) Fair value through profit and loss (FVTPL)

(iii) Westoz and Ozgrowth investments were previously recorded at FVTPL but are now equity accounted refer to restatement Note 12

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9: Equity Accounted Investments

The Equity Accounted Investments relate to the Group's investment in Westoz and Ozgrowth. Refer to Note 12 for further details of the restatement in respect to these investments, and the Group's accounting policy detailed at Note 1(d).

	\$
Equity accounted investment as at 1 July 2021	75,827,068
Add: Share of profits of equity accounted investments, net of tax	12,563,383
Add: Impairment reversal	6,510,348
Less: Dividend received	<u>(1,566,614)</u>
Equity accounted investment as at 31 December 2021	<u>93,334,185</u>

Following an increase in the fair value less costs of disposal of the investments in Westoz and Ozgrowth, the Group reversed part of the initially recognised impairments. During the six month period ended 31 December 2021 an impairment reversal of \$6,510,348 was recognised (2020: \$1,955,319). The carrying amounts of the investments in Westoz and Ozgrowth continue to equal their recoverable amounts.

Note 10: Trade and other payables

	31 December 2021 \$	30 June 2021 \$
Trade and other payables	975,935	4,275,581
Broker payable	26,862,479	38,516,434
Dividend payable	4,925,481	26,394,973
Accruals	<u>13,881,458</u>	<u>11,870,693</u>
	<u>46,645,353</u>	<u>81,057,681</u>

Note 11: Share capital

	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$	30 June 2021 \$
(a) Share capital				
Ordinary shares:				
Issued and paid up capital - consisting of ordinary shares (net of treasury shares)	<u>187,828,455</u>	<u>185,374,535</u>	<u>137,982,847</u>	<u>134,665,226</u>

(b) Movements in ordinary share capital

	31 December 2021 Shares	30 June 2021 Shares
At the beginning of the period	185,374,535	155,676,401
Acquisition of treasury shares	(800,000)	(5,298,017)
Shares issued during the period	1,500,929	33,000,075
Vested shares under Performance Rights Plan	<u>1,752,991</u>	<u>1,996,076</u>
At the end of the period	<u>187,828,455</u>	<u>185,374,535</u>

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11: Share capital (continued)

(c) Movements in ordinary share capital

	31 December 2021	30 June 2021
	\$	\$
At the beginning of the period	134,665,226	102,167,440
Acquisition of treasury shares	(1,230,064)	(7,949,948)
Shares issued during the period	2,446,514	38,280,087
Vested shares under Performance Rights Plan	<u>2,101,171</u>	<u>2,167,647</u>
At the end of the period	<u>137,982,847</u>	<u>134,665,226</u>

(d) Movements in treasury shares

	31 December 2021	30 June 2021
	Shares	Shares
Opening balance	(10,143,782)	(6,841,841)
On-market purchase during the period	(800,000)	(5,298,017)
Vested shares under Performance Rights Plan	<u>1,752,991</u>	<u>1,996,076</u>
At the end of the period	<u>(9,190,791)</u>	<u>(10,143,782)</u>

(e) Movements in share based payments reserve

The reserve records items recognised as expenses on valuation of share based payments. The movement in the current period totalling \$1,884,807 (2020: \$1,263,018) 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.

	31 December 2021	30 June 2021
	\$	\$
Opening balance	7,955,369	4,869,667
Vested shares under Performance Rights Plan	(2,101,171)	(2,167,647)
Share based payments expense	<u>1,884,807</u>	<u>5,253,349</u>
Closing balance	<u>7,739,005</u>	<u>7,955,369</u>

The movement in share-based payments reserve relates to the fair value of performance rights that vested and issued as part of the performance rights plan. The fair value of performance rights is calculated as 25% of an individual's annual bonus as determined by the Board.

Advisors who are paid a commission may also be paid in equity when they meet specific performance hurdles as set out in their individual employment contract. Performance rights convert to plan shares after year 1 which are held as treasury shares by the Euroz Share Trust. These plan shares are subject to a 3 year vesting period.

EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 12: Restatement

Previously, the Group applied the investment entity accounting exemption within AASB 10 *Consolidated Financial Statements* (the investment entity exemption) to its investments in Westoz and Ozgrowth and accounted for these investments at fair valued through profit and loss. Dividends received from associates were recognised as revenue from continuing operations.

During the period, a reassessment of the accounting treatment of the Group's investments in Westoz and Ozgrowth was performed. As a result, the Group is now accounting for its investments in Westoz and Ozgrowth as associates using the equity accounting method and tested these investments for impairment as described in the Group's accounting policy Note 1(d).

Applying the Group's accounting policy to associates (refer to Note 1(d)) the carrying amounts of these investments equals their recoverable amounts which is measured at fair value at each comparative reporting date. As a result, no change was required to the Group's opening retained earnings at 1 July 2020, net profit before or after income tax for the half year period ended 31 December 2020 nor total assets or net assets as at 30 June 2021.

The following table summarises the impact of the restatement on the comparatives on each line item affected of the Group's consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income	As previously reported	Adjustments	Restated
	\$	\$	\$
31 December 2020			
Revenue from continuing operations	47,882,955	(1,493,757)	46,389,198
Share of profits of equity accounted investments, net of tax	-	16,084,391	16,084,391
Gain / (Loss) on fair value movement on investments	26,395,715	(16,971,324)	9,424,391
Impairment (expense) / reversal (i)	(425,371)	2,380,690	1,955,319
Profit before income tax expense	35,929,487	-	35,929,487
Profit after income tax expense	25,077,161	-	25,077,161
30 June 2021			
Consolidated statement of financial position	As previously reported	Adjustments	Restated
	\$	\$	\$
Investment entities at fair value	75,827,068	(75,827,068)	-
Equity accounted investments	-	75,827,068	75,827,068
Total assets	282,713,408	-	282,713,408
Total liabilities	111,611,224	-	111,611,224
Net assets	171,102,184	-	171,102,184
Total equity	171,102,184	-	171,102,184

(i) The adjustment represents a partial reversal of impairment of equity accounted investments recognised in previous years.

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the half year ended 31 December 2020.

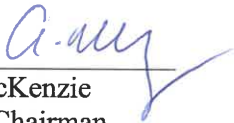
**EUROZ HARTLEYS GROUP LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, of the consolidated group are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the consolidated group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
2. 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

Dated: 22 February 2022