

# Appendix 4D

## Half- yearly report Period ended 31 December 2018

**EUROZ LIMITED**

**ABN 53 000 364 465**

### Results for announcement to the market

*Extracts from this report for announcement to the market*

**\$AUD**

	<b>31 Dec 18</b>	<b>31 Dec 17</b>	<b>Change \$</b>	<b>Change %</b>
Revenue from ordinary activities	\$37,511,450	\$24,135,021	\$13,376,429	55.4%
Profit/(loss) from ordinary activities after tax attributable to members	(\$2,138,542)	\$13,761,336	-\$15,899,878	-115.5%
Net Profit/(loss) for the period attributable to members	(\$2,138,542)	\$13,761,336	-\$15,899,878	-115.5%
<b>Net Tangible Assets per share</b>	<b>\$0.74</b>	<b>\$0.76</b>		<b>-2.6%</b>
<b>Dividends and Distributions</b>	<b>Amount per security</b>	<b>Franked amount per security</b>		
Interim Dividend	1.75 cents	1.75 cents		
Final Dividend	-	-		
Record date for determining entitlements to the dividend				17 Jan 19
Last date for election to participate in Dividend Reinvestment Plan				18 Jan 19
Dividend payable date				30 Jan 19
<b>The Company's dividend reinvestment plan was applicable to the interim dividend.</b>				

### Results commentary for announcement to the market

The Directors of Euroz Limited (“**Euroz**”) announce a net loss after tax (attributable to members) of -\$2.1 million for the 6 months to 31 December 2018 compared to a net profit after tax (attributable to members) of \$13.8 million for the 6 months to 31 December 2017.

Underlying “cash” profits of \$6.8 million after tax were offset by -\$8.9 million “non-cash” after tax losses from the mark to market on investments.

Underlying cash profitability was driven by a strong performance from Euroz Securities Limited (“**Euroz Securities**”) which delivered Equity Capital Market (“**ECM**”) raisings of \$277 million versus the corresponding half of \$270 million. Euroz Securities was ranked the top Western Australian based broker for ECM transactions for calendar year 2018 by Business News. Brokerage income at the half was naturally affected by weaker markets and was modestly down when compared to the corresponding period. Euroz Securities Funds Under Management (“**FUM**”) was steady over the past 6 months reflecting modest organic new FUM growth being offset by declining portfolio values from volatile equity markets.

After two very good years of performance Westoz Investment Company Limited (ASX: WIC) and Ozgrowth Limited (ASX: OZG) were also affected by negative markets and recorded gross investment performance of -12.1% and -15.5% respectively. The share prices of these significant investments continue to be a major influence on our reported profitability and the decline in their share prices for the 6 months to 31 December 2018 contributed -\$5.9 million to our headline reported losses.

Entrust Private Wealth Management Pty Ltd (“**Entrust**”) has seen a continuation of modest organic growth with FUM of \$809 million where new FUM was partially offset by decreases in portfolio values.

The Hayne Royal Commission is likely to continue to disrupt the wealth industry prompting dealer groups to review their alignment to various licensing and platform arrangements. Entrust is well positioned to potentially benefit from this disruption and be a destination for quality advisers looking for a market leading platform given its wide Approved Product List, multi asset class portfolios and choice of discretionary versus non-discretionary direct and indirect investments.

Prodigy Investment Partners Limited (“**Prodigy**”) funds management strategy has made steady progress but flows to our products have also naturally been affected by poor investor sentiment from market weakness and volatility.

Flinders Investment Partners Pty Ltd (“**Flinders**”) is performing very well with top quartile investment performance since inception. In the past 12 months Flinders has outperformed its benchmark by 2.3% (after all fees and expenses). This relative investment outperformance differentiates Flinders from many of its small cap competitors and provides a better opportunity for future fund flows.

Dalton Street Capital Pty Ltd (“**Dalton**”) can report gross investment performance for the 6 months to 31 December 2018 of -13.2% as a result of its exposure to Asia Pacific markets which have been hard hit this half year period due to trade war and China slowdown fears. We are pleased that Dalton has had minor net fund inflows during this half year and that emerging intra-day volatility will assist the futures side of their alternative investment strategy.

Prodigy’s new partnership with Equus Point Capital Pty Ltd was announced in August 2018 and was formally launched on 1 December 2018. We believe that this market neutral strategy will resonate well with investors in the current market and early consultant and research feedback continues to be positive.

Group FUM remains an important measure for our various businesses and the Directors can report FUM of \$1.43 billion as at 31 December 2018 versus \$1.46 billion at 30 June 2018.

## **Summary**

Your Directors are pleased that our business has weathered a tough past 6 months with solid underlying profitability.

The Board is very comfortable with our strategy to remain leveraged to the commodity price cycle and to Western Australia in general, where we see good upside in the medium-longer term. The current market weakness is an inevitable part of the market cycle and creates opportunities for many of our businesses.

Your Directors remain committed to our incremental diversification strategy to supplement our traditional transactional revenue streams with more annuity-based revenue.

A dividend of 1.75 cents per share, fully franked, was provided for and subsequently paid on 30 January 2019.

## **Reporting period**

*The financial information contained in this report is for the six-month period ended 31 December 2018. 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 LIMITED  
AND CONTROLLED ENTITIES  
A.B.N. 53 000 364 465**

**HALF-YEAR REPORT**

**31 DECEMBER 2018**

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**Euroz Limited**  
**Directors' Report**

Your Directors submit the interim financial report of the consolidated group ("Euroz Limited and its controlled entities") for the half-year ended 31 December 2018.

**DIRECTORS**

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

Andrew McKenzie  
Jay Hughes  
Greg Chessell  
Russell Kane  
Simon Yeo  
Anthony Brittain  
Robert Black

**COMPANY SECRETARY**

Anthony Hewett

**PRINCIPAL ACTIVITIES**

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

- Stockbroking (including Corporate Finance);
- Funds management;
- Wealth management; and
- Investing.

**OPERATING RESULTS AND REVIEW OF OPERATIONS**

The Directors of Euroz Limited announce a net loss after tax (attributable to members) of -\$2.1 million for the 6 months to 31 December 2018 compared to a net profit after tax (attributable to members) of \$13.8 million for the 6 months to 31 December 2017.

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**Euroz Limited**  
**Directors' Report (continued)**

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Group FUM remains an important measure for our various businesses and the Directors can report FUM of \$1.43 billion as at 31 December 2018 versus \$1.46 billion at 30 June 2018.

Your Directors are pleased that our business has weathered a tough past 6 months with solid underlying profitability.

The Board is very comfortable with our strategy to remain leveraged to the commodity price cycle and to Western Australia in general, where we see good upside in the medium-longer term. The current market weakness is an inevitable part of the market cycle and creates opportunities for many of our businesses.

Your Directors remain committed to our incremental diversification strategy to supplement our traditional transactional revenue streams with more annuity-based revenue.

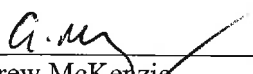
**DIVIDENDS**

A dividend of 1.75 cents per share, fully franked, was provided for and subsequently paid on 30 January 2019.

**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 2018.

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

  
\_\_\_\_\_  
Andrew McKenzie  
Executive Chairman  
14 February 2019

AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF EUROZ LIMITED

In relation to our review of the financial report of Euroz Limited for the half year ended 31 December 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 PERTH



SHANE CROSS  
PARTNER

14 FEBRUARY 2019  
WEST PERTH,  
WESTERN AUSTRALIA

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**Euroz Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2018**

	Note	31 December 2018 \$	31 December 2017 \$
Revenue	3	37,511,450	24,135,021
Gain / (Loss) on fair value movement on investments		(12,903,078)	14,516,005
Brokerage and underwriting expenses		(2,093,736)	(2,235,372)
Carrying value of principal trading stock sold		(9,620,917)	(1,474,239)
Employee benefits expense		(13,584,863)	(12,440,269)
Depreciation and amortisation expenses		(186,150)	(133,034)
Regulatory expenses		(137,339)	(126,628)
Consultancy expenses		(292,023)	(149,081)
Conference and seminar expenses		(407,305)	(434,922)
Communication expenses		(215,700)	(179,025)
Loss on deconsolidation		-	(29,572)
Other expenses		(2,580,686)	(2,193,092)
<b>(Loss) / Profit before income tax expense</b>		<b>(4,510,347)</b>	<b>19,255,792</b>
Income tax benefit / (expense)		1,518,902	(6,707,676)
<b>(Loss) / Profit after income tax expense for the period</b>		<b>(2,991,445)</b>	<b>12,548,116</b>
<b>Other comprehensive income</b>			
Other comprehensive income net of tax		-	-
<b>Total comprehensive income for the period</b>		<b>(2,991,445)</b>	<b>12,548,116</b>
<b>Profit / (Loss) for the period is attributable to:</b>			
Non-Controlling interest		(852,903)	(1,213,220)
Owners of Euroz Limited		(2,138,542)	13,761,336
		<b>(2,991,445)</b>	<b>12,548,116</b>
<b>Total comprehensive income/(loss) for the period is attributable to:</b>			
Non-Controlling interest		(852,903)	(1,213,220)
Owners of Euroz Limited		(2,138,542)	13,761,336
		<b>(2,991,445)</b>	<b>12,548,116</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(1.37)	8.74
Diluted earnings per share		(1.33)	8.55

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



**Euroz Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2018**

	Note	31 December 2018 \$	30 June 2018 \$
<b>Current assets</b>			
Cash and cash equivalents		32,034,929	39,390,169
Trade and other receivables		1,751,949	2,181,061
Inventories	8	7,419,894	12,855,087
Other current assets		990,588	4,103,235
Total current assets		<u>42,197,360</u>	<u>58,529,552</u>
<b>Non-current assets</b>			
Long term receivable		5,000,000	5,000,000
Investments	8	11,763,123	14,519,955
Investment entities at fair value	8	59,213,716	67,586,696
Plant and equipment		868,676	736,579
Deferred tax assets		7,044,503	4,427,658
Intangible assets		10,178,785	10,178,785
Total non-current assets		<u>94,068,803</u>	<u>102,449,673</u>
<b>Total assets</b>		<u><b>136,266,163</b></u>	<u><b>160,979,225</b></u>
<b>Current liabilities</b>			
Trade and other payables		2,766,346	4,637,251
Current tax liabilities		767,787	5,075,257
Short term provisions		6,113,933	18,129,112
Total current liabilities		<u>9,648,066</u>	<u>27,841,620</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,182,559	2,657,601
Long term provisions		6,793	4,979
Total non-current liabilities		<u>1,189,352</u>	<u>2,662,580</u>
<b>Total liabilities</b>		<u><b>10,837,418</b></u>	<u><b>30,504,200</b></u>
<b>Net assets</b>		<u><b>125,428,745</b></u>	<u><b>130,475,025</b></u>
<b>Equity</b>			
Share capital	9(a)	102,601,294	102,343,793
Reserve	9(f)	3,148,307	2,646,774
Retained earnings		24,517,995	29,470,406
<b>Total Equity attributable to the holders of the Company</b>		<u>130,267,596</u>	<u>134,460,973</u>
Minority interest		<u>(4,838,851)</u>	<u>(3,985,948)</u>
<b>Total equity</b>		<u><b>125,428,745</b></u>	<u><b>130,475,025</b></u>

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

**Euroz Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2018**

	Issued Capital	Retained Earnings	Share based payment reserve	Total	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	102,343,793	29,470,406	2,646,774	134,460,973	(3,985,948)	130,475,025
Loss for the period	-	(2,138,542)	-	(2,138,542)	(852,903)	(2,991,445)
Total comprehensive income for the period	-	(2,138,542)	-	(2,138,542)	(852,903)	(2,991,445)
<i>Transactions with owners, recorded directly in equity</i>						
Vested shares under Performance Rights Plan	494,685	-	(494,685)	-	-	-
Treasury shares acquired	(237,184)	-	-	(237,184)	-	(237,184)
Share based payments	-	-	996,218	996,218	-	996,218
Dividends to equity holders	-	(2,813,869)	-	(2,813,869)	-	(2,813,869)
Total contributions by and distributions to owners	257,501	(2,813,869)	501,533	(2,054,835)	-	(2,054,835)
<b>Balance at 31 December 2018</b>	<b>102,601,294</b>	<b>24,517,995</b>	<b>3,148,307</b>	<b>130,267,596</b>	<b>(4,838,851)</b>	<b>125,428,745</b>
<b>Balance at 1 July 2017</b>	<b>103,246,026</b>	<b>15,893,316</b>	<b>2,217,421</b>	<b>121,356,763</b>	<b>(2,055,461)</b>	<b>119,301,302</b>
Profit for the period	-	13,761,336	-	13,761,336	(1,213,220)	12,548,116
Total comprehensive income for the period	-	13,761,336	-	13,761,336	(1,213,220)	12,548,116
<i>Transactions with owners, recorded directly in equity</i>						
Vested shares under Performance Rights Plan	1,006,123	-	(1,006,123)	-	-	-
Treasury shares acquired	(616,185)	-	-	(616,185)	-	(616,185)
Share based payments	-	-	706,575	706,575	-	706,575
Dividends to equity holders	-	(2,807,854)	-	(2,807,854)	-	(2,807,854)
Total contributions by and distributions to owners	389,938	(2,807,854)	(299,548)	(2,717,464)	-	(2,717,464)
<b>Balance at 31 December 2017</b>	<b>103,635,964</b>	<b>26,846,798</b>	<b>1,917,873</b>	<b>132,400,635</b>	<b>(3,268,681)</b>	<b>129,131,954</b>

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

**Euroz Limited**  
**Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2018**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	26,789,096	19,457,193
Proceeds from sale of trading shares	11,897,927	2,145,781
Payments to suppliers and employees	(19,910,878)	(18,350,239)
Payments for trading shares	(6,450,467)	(2,983,965)
Interest received	297,606	256,497
Income taxes paid	(6,880,453)	(4,213,012)
	<u>5,742,831</u>	<u>(3,687,745)</u>
<b>Net cash from / (used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments for investment in WIC & OZG	-	(100,254)
Payments for management investment schemes	(2,000,000)	-
Receipts from disposal of management investment schemes	2,876,534	-
Dividends and trust distributions received	1,468,901	1,517,454
Payments for property, plant and equipment	(318,250)	(373,139)
	<u>2,027,185</u>	<u>1,044,061</u>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Payment for treasury shares	(237,184)	(616,185)
Dividends paid	(14,888,072)	(8,844,956)
	<u>(15,125,256)</u>	<u>(9,461,141)</u>
<b>Net cash used in financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	<b>(7,355,240)</b>	<b>(12,104,825)</b>
Cash and cash equivalents at 1 July	39,390,169	41,152,236
	<u>32,034,929</u>	<u>29,047,411</u>
<b>Cash and cash equivalents at 31 December</b>		

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

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**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 2018 and any public announcements made by Euroz Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Euroz 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 14 February 2019.

**Basis of preparation**

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

The 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 2018 with the exception of those noted below in "*Adoption of new or revised accounting standards and interpretations*".

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.

**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.

The following new Accounting Standards and Interpretations are most relevant to the consolidated entity:

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 1. Statement of significant accounting policies (continued)**

**Adoption of new or revised accounting standards and interpretations (continued)**

*AASB 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There is no impact on the consolidated entities primary statements from the adoption of AASB 9.

*AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The adoption of AASB 15 does not have any impact on the accounting for revenue in the consolidated entity but has resulted in a change to the description of accounting policies and revenue notes.

**Revenue recognition**

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

**Note 1. Statement of significant accounting policies (continued)**

**Revenue recognition (continued)**

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

*Brokerage revenue*

Brokerage revenue from share trading is considered to be derived from a single obligation being the completion of a share trading transaction. Accordingly, at the completion of the transaction the revenue is recognised.

External trail commission classified as brokerage is also considered a distinct service and does not involve other promised goods or services. Therefore, revenue is recognised at the completion of the service.

*Underwriting, placement fees and corporate retainers*

Corporate retainers relate to the service fee for work performed such as research services. This service is considered a distinct performance obligation and accordingly revenue is recognised at the completion of the service.

Placement fees are fees charged on raising capital for clients. This is determined to be the single performance obligation and revenue is recorded upon invoicing at the completion of the capital raise.

Underwriting fees are derived upon the sale of a pre-determined number of shares for a client. The performance obligation is determined to be the sale of the shares and upon completion of same the revenue is invoiced and recorded.

The payment terms in relation to this source of revenue is 7 days.

*Performance and management fees*

Performance fee income is derived from investment management agreements based on the performance of an underlying fund over a contracted period of time. If the fund performance exceeds a specified threshold the performance fee payable is determined and recorded as revenue at the conclusion of the performance period. The performance obligation is determined to be singular being to achieve a certain performance target over a specified period.

Management fee income is derived from investment management agreements whereby a monthly management fee is payable based on the fund value. The performance obligation is the monthly management of the fund and revenue is recorded monthly following the completion of the month.

The payment terms in relation to this source of revenue is 7 days.

*Wealth management fees*

Wealth management fee income is derived from agreements with clients individually whereby a monthly management fee is payable based on the fund value. The performance obligation is the monthly management of the fund and revenue is recorded monthly following the completion of the month.

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 1. Statement of significant accounting policies (continued)**

**Revenue recognition (continued)**

*Proceeds from the sale of investments*

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. The single performance obligation is the sale of the security.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**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 2018.

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**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;

***Stockbroking & Corporate Finance activities***

Stockbroking business offering trading of Australian securities, post trade reporting, corporate finance opportunities 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.

**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.



**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 2: Segment information (continued)**

**Segment performance**

	<b>Stockbroking &amp; Corporate Finance Activities</b>	<b>Principal Trading</b>	<b>Funds Management</b>	<b>Investment</b>	<b>Wealth Management</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2018:</b>						
Revenue	17,457,733	11,897,927	2,015,629	-	4,321,225	35,692,514
Interest revenue	201,269	2,427	30,639	54,740	10,237	299,312
Other revenue	48,024	26,837	-	1,442,642	2,121	1,519,624
<b>Total segment revenue</b>	<b>17,707,026</b>	<b>11,927,191</b>	<b>2,046,268</b>	<b>1,497,382</b>	<b>4,333,583</b>	<b>37,511,450</b>
<b>Segment net profit/ (loss) after tax</b>	<b>3,226,782</b>	<b>2,018,741</b>	<b>(1,348,476)</b>	<b>(8,025,352)</b>	<b>1,136,860</b>	<b>(2,991,445)</b>
Depreciation & amortisation	144,883	-	36,690	-	4,577	186,150
<b>Segment assets</b>	<b>32,848,835</b>	<b>7,419,894</b>	<b>5,744,683</b>	<b>85,257,568</b>	<b>4,995,182</b>	<b>136,266,163</b>
<b>Segment liabilities</b>	<b>5,022,308</b>	<b>172,286</b>	<b>770,319</b>	<b>3,807,952</b>	<b>1,064,553</b>	<b>10,837,418</b>
	<b>Stockbroking &amp; Corporate Finance Activities</b>	<b>Principal Trading</b>	<b>Funds Management</b>	<b>Investment</b>	<b>Wealth Management</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2017:</b>						
Revenue	13,755,039	2,145,781	1,860,251	-	4,418,954	22,180,025
Interest revenue	169,307	5,598	19,710	18,360	9,463	222,438
Other revenue	156,191	15,623	-	1,502,562	58,182	1,732,558
<b>Total segment revenue</b>	<b>14,080,537</b>	<b>2,167,002</b>	<b>1,879,961</b>	<b>1,520,922</b>	<b>4,486,599</b>	<b>24,135,021</b>
<b>Segment net profit / (loss) after tax</b>	<b>1,792,656</b>	<b>614,130</b>	<b>(1,911,159)</b>	<b>11,284,713</b>	<b>767,776</b>	<b>12,548,116</b>
Depreciation & amortisation	95,280	-	34,945	-	2,809	133,034
<b>Segment assets</b>	<b>32,142,000</b>	<b>7,441,403</b>	<b>5,914,375</b>	<b>89,817,765</b>	<b>4,572,609</b>	<b>139,888,152</b>
<b>Segment liabilities</b>	<b>3,909,179</b>	<b>120,745</b>	<b>763,117</b>	<b>5,171,119</b>	<b>792,038</b>	<b>10,756,198</b>

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 3: Revenue**

	<b>Stockbroking &amp; Corporate Finance Activities</b>	<b>Principal Trading</b>	<b>Funds Management</b>	<b>Investment</b>	<b>Wealth Management</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2018:</b>						
Brokerage	6,718,337	-	-	-	419,098	7,137,435
Underwriting and placement fees	6,962,289	-	-	-	186,845	7,149,134
Performance and management fees	1,699,943	-	2,015,629	-	-	3,715,572
Wealth management fees	-	-	-	-	3,715,282	3,715,282
Proceeds on sale of principal trading shares	-	11,897,927	-	-	-	11,897,927
Corporate retainers	2,077,164	-	-	-	-	2,077,164
<b>Other income</b>						
Interest received	201,269	2,427	30,639	54,740	10,237	299,312
Other revenue	47,274	577	-	-	2,121	49,972
Dividends and trust distributions received	750	26,260	-	1,442,642	-	1,469,652
	<b>17,707,026</b>	<b>11,927,191</b>	<b>2,046,268</b>	<b>1,497,382</b>	<b>4,333,583</b>	<b>37,511,450</b>
<b>31 December 2017:</b>						
Brokerage	7,179,735	-	-	-	570,533	7,750,268
Underwriting and placement fees	3,832,526	-	-	-	250,441	4,082,967
Performance and management fees	1,154,744	-	1,860,251	-	4,876	3,019,871
Wealth management fees	-	-	-	-	3,593,104	3,593,104
Proceeds on sale of principal trading shares	-	2,145,781	-	-	-	2,145,781
Corporate retainers	1,588,034	-	-	-	-	1,588,034
<b>Other income</b>						
Interest received	169,307	5,598	19,710	18,360	9,463	222,438
Other revenue	156,191	731	-	-	58,182	215,104
Dividends and trust distributions received	-	14,892	-	1,502,562	-	1,517,454
	<b>14,080,537</b>	<b>2,167,002</b>	<b>1,879,961</b>	<b>1,520,922</b>	<b>4,486,599</b>	<b>24,135,021</b>

**Note 4: Dividends**

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
Fully franked ordinary dividend declared on 31 December 2018 of 1.75 cents (2017: 1.75 cents) per share franked at the tax rate of 30% (2017: 30%). This has been recognised as a provision in the consolidated statement of financial position at 31 December 2018.	<u>2,817,314</u>	<u>2,817,314</u>

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 5: Contingent liabilities and assets**

The consolidated group had contingent liabilities at 31 December 2018 as follows:

	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
(i) Secured guarantees in respect of: operating lease of the consolidated group	807,699	807,699

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 (30 June 2018: \$5,000,000).

The group has no contingent assets at reporting date.

**Note 6: Key management personnel**

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

**Note 7: Subsequent events**

The Directors are not aware of any other matter or circumstance subsequent to 31 December 2018 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 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). Such unlisted investments are held at recent trading prices.

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

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Assets:				
Investments	77,517,906	878,827	-	78,396,733
<b>Total Assets</b>	<b>77,517,906</b>	<b>878,827</b>	<b>-</b>	<b>78,396,733</b>
<b>30 June 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Assets:				
Investments	94,219,411	742,327	-	94,961,738
<b>Total Assets</b>	<b>94,219,411</b>	<b>742,327</b>	<b>-</b>	<b>94,961,738</b>

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 9: Share capital**

	<b>31 December 2018 Shares</b>	<b>30 June 2018 Shares</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>(a) Share capital</b>				
Ordinary shares:				
Issued and paid up capital - consisting of ordinary shares (net of treasury shares)	<u>156,078,151</u>	<u>155,879,961</u>	<u>102,601,294</u>	<u>102,343,793</u>
<b>(b) Movements in ordinary share capital</b>			<b>31 December 2018 (no)</b>	<b>30 June 2018 (no)</b>
At the beginning of the period			155,879,961	156,654,382
Acquisition of treasury shares			(200,000)	(1,659,000)
Vested shares under Performance Rights Plan			<u>398,190</u>	<u>884,579</u>
At the end of the period			<u><u>156,078,151</u></u>	<u><u>155,879,961</u></u>
<b>(c) Movements in ordinary share capital</b>			<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
At the beginning of the period			102,343,793	103,246,026
Acquisition of treasury shares			(237,184)	(1,908,356)
Vested shares under Performance Rights Plan			<u>494,685</u>	<u>1,006,123</u>
At the end of the period			<u><u>102,601,294</u></u>	<u><u>102,343,793</u></u>
<b>(d) Movements in treasury shares</b>			<b>31 December 2018 (no)</b>	<b>30 June 2018 (no)</b>
Opening balance			(5,109,421)	(4,335,000)
On-market purchase during the period			(200,000)	(1,659,000)
Vested shares under Performance Rights Plan			<u>398,190</u>	<u>884,579</u>
			<u><u>(4,911,231)</u></u>	<u><u>(5,109,421)</u></u>
<b>(e) Performance rights</b>				

84 performance rights were granted during the current period to employees eligible to participate in the performance rights plan (“the plan”). The fair value vesting expense in relation to these performance rights totalled \$240,935. The vesting expense relating to plan shares held as treasury shares in relation to the plan for financial year 2016, 2017 and 2018 amounts to \$755,283. Therefore, the total vesting expense associated with the plan for the current period totals \$996,218.

**Euroz Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 31 December 2018**

**Note 9: Share capital (continued)**

**(f) Movements in share based payments reserve**

	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	2,646,774	2,217,421
Vested shares under Performance Rights Plan	(494,685)	(1,006,123)
Share based payments expense	996,218	1,435,476
Closing balance	<u>3,148,307</u>	<u>2,646,774</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.

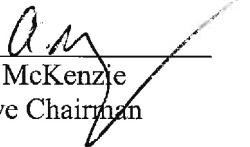
Advisors who are paid a commission may also be paid in equity when they meet specific performance hurdles as set out in their individual employment contract. Performance rights convert to plan shares after year 1 which are held as treasury shares by the Euroz Share Trust. These plan shares are subject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

**Euroz Limited**  
**Directors' Declaration**  
**For the half-year ended 31 December 2018**

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 2018 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: 14 February 2019

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Euroz Limited (the company) and controlled entities (consolidated group), which comprises the consolidated statement of financial position as at 31 December 2018, and 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 half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated group comprising the company and the entities it controlled at 31 December 2018, or during the half year.

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 Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated group's financial position as at 31 December 2018, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

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

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

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## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated group's financial position as at 31 December 2018 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. As the auditor of Euroz Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF PERTH



SHANE CROSS  
PARTNER

14 FEBRUARY 2019  
WEST PERTH,  
WESTERN AUSTRALIA