

# Appendix 4E – Full Year Report

Name of entity

**EQT Holdings Limited**

ABN or equivalent company reference

**22 607 797 615**

Full Year Ended

**30 June 2016**

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2016 A\$'000		30 June 2015 A\$'000	
	Revenue from ordinary activities	83,696	Down 1.4%	From
Profit from ordinary activities after tax attributable to members	13,288	Down 21.6%	From	16,959
Net profit for the period attributable to members	13,288	Down 21.6%	From	16,959

Dividends	Amount per Security	Franked amount per Security
Final Dividend The directors have declared a fully franked final dividend of 34 cents per share. The directors have also declared that the Dividend Reinvestment Plan (DRP) will operate for this dividend. The share price to be used for the DRP will be calculated based on the volume weighted average market price of EQT traded shares on the first 5 days of EQT share trading after Record Date. A 1.25% discount will be applied.	34 cents	100%

Record Date for determining entitlements to the dividend.	15 September 2016
Last date for receipt of an election notice for participation in the DRP	23 September 2016
Payment date for dividend	14 October 2016

The 2016 Annual General Meeting is to be held at 11.00am, Friday 28 October 2016 at The Westin Hotel, 205 Collins St, Melbourne.

This full year report should be read in conjunction with the 2016 Annual Financial Report.

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**ASX ADDITIONAL INFORMATION**

Additional information, current as at 30 June 2016, and not shown elsewhere in this report, follows:

	<b>30 June 2016</b>	<b>30 June 2015</b>
<b>Net tangible asset backing / per share</b>		
Net tangible asset backing per share, based on shares on issue of 19,958,965 (2015: 19,693,727).	2.59	2.44

**Control gained or lost over entities during the period****Year ended 30 June 2016**

There were no material entities where control was gained or lost during the period.

**Year ended 30 June 2015**

On 4 July 2014, the Group acquired 100% of the shares in Equity Trustees Wealth Services Limited from the ANZ Banking Group. For further details regarding this acquisition please refer to note 34 of the 2016 Annual Financial Report.

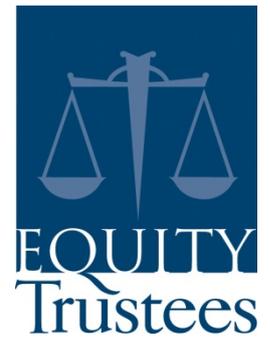
**Audit**

The Financial Statements for the year ended 30 June 2016 have been audited and an unqualified opinion

**Commentary**

This full year report should be read in conjunction with the 2016 Annual Financial Report.

**For a comprehensive overview of the 2016 results, please refer to the separate ASX release covering the Announcement of Results and Investor Presentation.**



**EQT Holdings Limited  
and Controlled Entities  
ABN 22 607 797 615**

**Annual Financial Report  
for the Financial Year Ended  
30 June 2016**

## Board of Directors

JA (Tony) Killen OAM, BA, FAICD, FAIM (Chairman, Independent)  
Michael J O'Brien, FIAA, CFA, GAICD (Managing Director)  
Kevin J Eley, CA, F FIN, FAICD (Independent)  
The Hon Jeffrey G Kennett AC, HonD<sub>Bus</sub> (Ballarat), Hon LL D (Deakin) (Independent)  
Anne M O'Donnell, BA (Bkg & Fin), MBA, FAICD, SF Fin (Independent)  
D. Glenn Sedgwick, BCom, FAICD, FCA (Independent) (*Appointed 8 August 2016*)  
Alice JM Williams, BCom, FCPA, FAICD, ASFA AIF, CFA (Independent)

## Former Directors

Robin BO Burns, DipAcc, FAICD (*Resigned 1 July 2016*)  
David F Groves, BCom, MCom, CA, FAICD (*Resigned 14 December 2015*)

## Company Secretaries

Carmen Odette Lunderstedt, BCom, Grad Cert Fin Plan, AGIA  
Martin Geoffroy Walsh, BBus, MBA, GAICD

## Auditor

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne, Victoria 3000

## Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067

## Registered Office

Level 2, 575 Bourke Street  
Melbourne, Victoria 3000  
Telephone: (03) 8623 5000  
Facsimile: (03) 8623 5200  
Email: [equity@eqt.com.au](mailto:equity@eqt.com.au)

## Corporate Governance Statement

Our Corporate Governance Statement is available on our website [eqt.com.au](http://eqt.com.au)

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# Directors' Report

for the Financial Year Ended 30 June 2016

The Directors of EQT Holdings Limited (Equity Trustees, or the Company) submit herewith the annual financial report for the financial year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report is as follows.

## BOARD OF DIRECTORS

The Directors of the Company during or since the end of the financial year are:

### Current Board Members

**JA (Tony) Killen OAM**

CHAIRMAN AND INDEPENDENT DIRECTOR

BA, FAICD, FAIM

Appointed Director in September 2002 and Chairman on 30 August 2007.

Mr Killen is a former Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Ltd, having had a 36 year career with the National Mutual/AXA group. He was Chair of Australia's largest not-for-profit health services provider – Sisters of Charity Health Service Ltd, Chair of Sisters of Charity Community Care Ltd and non-executive director of listed company, IRESS Market Technology Ltd.

Mr Killen is currently Captain of Victoria Golf Club Limited and a Finance Councillor at the Bishops Commission for Administration and Information, Australian Catholic Bishops Conference. In 2011, Mr Killen was awarded the Medal of the Order of Australia.

Mr Killen was Chair of Equity Trustees' Board Risk Committee to May 2016.

In addition to more than 20 years' experience in the management of trustee companies, Mr Killen brings to the Board a deep knowledge of the financial services industry and governance expertise.

Listed company directorships held during the past three financial years:

- Chair of Templeton Global Growth Fund Ltd (from October 2012 to the present)

**Michael J O'Brien**

MANAGING DIRECTOR

FIAA, CFA, GAICD

Appointed Director on 28 July 2014, Executive Director on 28 April 2016, and Managing Director on 1 July 2016.

Mr O'Brien is a Fellow of the Institute of Actuaries of Australia, and holds the Chartered Financial Analyst designation.

Mr O'Brien was formerly CEO and director of Invesco Australia Limited, director of Alliance Capital Management Australia and Chief Investment Officer of AXA Australia and New Zealand, where he was also a director of all AXA's Responsible Entities and Regulated Superannuation Entities.

With a career spanning over 30 years in both retail and institutional markets, Mr O'Brien brings to the Board broad wealth management experience in superannuation, investment management, insurance, and advice.

Mr O'Brien was a member of the Audit & Compliance Committee and Chair of the Board Investment Committee until May 2016. He is a member of the Board Risk Committee.

Listed company directorships held during the past three financial years:

- Templeton Global Growth Fund Limited (from August 2014 to the present and currently on leave)

**Alice JM Williams**

**INDEPENDENT DIRECTOR**

BCom, FCPA, FAICD, ASFA AIF, CFA

Appointed Director in September 2007.

Ms Williams has over 30 years' senior management and Board experience in the corporate, investment banking and government sectors. She was formerly a director of Australian Accounting Standards Board, State Trustees, NM Rothschild and Sons (Australia) Limited, Director of Strategy and Planning for Ansett Australia Holdings Limited, Victorian Funds Management Corporation and a Vice President at JP Morgan Australia.

As an adviser for major Australian and international corporations, Ms Williams brings to the Board experience in capital markets, human resources, and equity fundraising.

Ms Williams was a member of the Board Investment Committee and of the Board Risk Committee until May 2016. She is a member of the Equity Trustees Limited Compliance Committee (a subsidiary committee) and is Chair of the Remuneration, Human Resources and Nominations Committee.

In addition to the directorships held in the companies listed below, Ms Williams is a non-executive director on a range of public, government and private boards including Guild Group Holdings Limited, Port of Melbourne Corporation, Defence Health, Barristers Chambers Limited, Victorian Funds Management Corporation, and the Foreign Investment Review Board.

Listed company directorships held during the past three financial years:

- Djerriwarrh Investments Limited (from May 2010 to the present)
- Cooper Energy Limited (from August 2013 to the present)

**The Hon Jeffrey G Kennett AC**

**INDEPENDENT DIRECTOR**

Hon DBus (Ballarat), Hon LL D (Deakin)

Appointed Director in September 2008.

Mr Kennett was an Officer in the Royal Australian Regiment, serving at home and overseas. He was a Member of the Victorian Parliament for 23 years, Premier of the State from 1992 to 1999, and awarded the Companion of the Order of Australia in 2005.

Mr Kennett is currently Chair of beyondblue, the national depression initiative, and Chair of The Torch, a program assisting incarcerated Indigenous men and women. In addition, he is Chair of Open Windows Australia Proprietary Limited, Chair of CT Management Group Pty Ltd, Chair of Amtek Corporation Pty Ltd and Chair of LEDified Lighting Corporation Pty Ltd.

He is associated with many community organisations, including The Royal District Nursing Service and Sovereign Hill Ballarat.

Mr Kennett brings to the Board experience in client and community relations, and government.

Mr Kennett is a member of the Remuneration, Human Resources and Nomination Committee, was a member of the Board Risk Committee to May 2016, and was a member of the Board Audit Committee between May 2016 and August 2016.

Listed company directorships held during the past three financial years:

- Seven West Media Limited (from June 2015 to the present)
- Primary Opinion Limited (from April 2004 to November 2015)

**Anne M O'Donnell**

**INDEPENDENT DIRECTOR**

BA (Bkg & Fin), MBA, FAICD, SF Fin

Appointed Director in September 2010.

Ms O'Donnell has some 35 years' experience in the finance sector and is an experienced executive and non-executive director in the listed, not-for-profit and mutual sectors.

Ms O'Donnell is a director of Community CPS Australia Ltd (trading as Beyond Bank Australia), Eastwoods Pty Ltd and The Winston Churchill Memorial Trust. In addition, she is an external member of the UBS Global Asset Management (Australia) Ltd Compliance Committee, external Chair of the IP Australia Audit Committee, a member of each of the Investment, Audit & Risk Committee and the Nominations and Remuneration Committee of the Winston Churchill Memorial Trust, and an external member of the Nominations Committee of Goodwin Aged Care Services Ltd.

A former Managing Director of Australian Ethical Investment Ltd, Ms O'Donnell was also formerly a director of the Financial Services Council, The Centre for Australian Ethical Research Pty Ltd, the ANZ Staff Superannuation Fund, The Grain Growers Association Ltd, and the Australian Institute of Company Directors. Ms O'Donnell brings to the Board extensive knowledge of the wealth management industry.

Ms O'Donnell is Chair of the Equity Trustees Limited Compliance Committee (a subsidiary committee) and a member of the Company's Board Audit Committee, Board Risk Committee, and the Remuneration, Human Resources and Nominations Committee.

**Kevin J Eley**

**INDEPENDENT DIRECTOR**

CA, F FIN, FAICD

Appointed Director in November 2011.

Mr Eley is a Chartered Accountant with experience in management, finance and investment. He was Chief Executive Officer for 20 years of listed diversified investment company HGL Limited, where he remains as a non-executive director. Previously he worked in Australia and overseas for a major international accounting firm and in the corporate finance divisions of a local and international investment bank.

Mr Eley brings to the Board extensive experience in the areas of managing businesses, strategic development, finance and investment.

Mr Eley is Chair of the Board Audit Committee and Chair of the Board Risk Committee since May 2016.

Listed company directorships held during the past three financial years:

- Chair of Hunter Hall International Limited (Director from October 2012 and Chair from May 2016 to the present)
- HGL Limited (from October 2010 to the present)
- Milton Corporation Limited (from November 2011 to the present)
- PO Valley Energy Limited (from June 2012 to April 2016)
- Kresta Holdings Limited (from April 2011 to February 2014)

**D. Glenn Sedgwick**

**INDEPENDENT DIRECTOR**

BCom, FAICD, FCA

Appointed Director on 8 August 2016.

Mr Sedgwick has more than 30 years' experience as a consultant to listed and unlisted Australian, Chinese and other Asian enterprises across financial services, and information technology. A former partner in Accenture (then Arthur Anderson & Co.), he was previously Managing Director of Accenture's Asia Pacific Insurance and Wealth Management business.

Mr Sedgwick is Chair of Australian Tourist Park Management (ATPM), a director of Australian Life Insurance Group (ALI), a Councillor of Queens College (University of Melbourne), and a member of the Foundation Committee of the Melbourne Symphony Orchestra.

With strengths in financial reporting and risk management, Mr Sedgwick also brings to the Board extensive knowledge in strategy development.

Mr Sedgwick is a member of the Board Audit Committee and Board Risk Committee effective 8 August 2016.

## **Former Board Members**

### **Robin BO Burns**

#### **MANAGING DIRECTOR**

DipAcc, FAICD

Managing Director between March 2010 and 1 July 2016.

Before joining Equity Trustees Mr Burns was, from 2002, Chief Executive Officer of Equisuper Pty Ltd, the trustee company for the Equisuper multi-employer superannuation fund. Mr Burns retired as a non-executive director of the Financial Services Council in April 2016.

Mr Burns previously worked for AXA Asia Pacific, where he held the positions of General Manager, Corporate Affairs and Chief Executive, Risk Insurance and for the stockbroking firm Prudential-Bache Securities (Australia), where he was Managing Director, having joined the firm as Chief Financial Officer.

Mr Burns was a member of the Board Investment Committee until April 2016.

### **David F Groves**

#### **INDEPENDENT DIRECTOR**

BCom, MCom, CA, FAICD

Director from November 2000 and Deputy Chair from December 2007 until 14 December 2015.

Mr Groves is a director of Pipers Brook Vineyard Pty Ltd and Tasman Sea Salt Pty Ltd. Since March 2015, he has been a member of the Australian Rugby Foundation Advisory Board.

Mr Groves is a former director of Tassal Group Limited, GrainCorp Limited, Mason Stewart Publishing, Camelot Resources NL and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

He was a member of the Audit & Compliance Committee, the Remuneration, Human Resources and Nominations Committee, the Board Investment Committee, and the Board Risk Committee until his retirement.

Listed company directorships held during the past three financial years to date of retirement from the Company:

- BCD Resources NL (from August 2012 to January 2015)

## **Company Secretaries**

### **Carmen Odette Lunderstedt**

BCom, Grad Cert Fin Plan, AGIA

Ms Lunderstedt was appointed Company Secretary on 29 January 2016. With a background in corporate governance, compliance and risk management, Ms Lunderstedt has held a number of previous company secretary roles in unlisted and listed companies. In addition to being an Associate of the Governance Institute of Australia, Ms Lunderstedt holds a BCom (Corporate Administration and Management) and Graduate Certificate in Financial Planning.

**Martin Geoffroy Walsh**

BBus, MBA, GAICD

Mr Walsh was appointed joint Company Secretary on 29 January 2016. Mr Walsh joined Equity Trustees in April 2015 and has more than 40 years' experience in the financial services sector as a leader and innovator in credit and operational risk, internal audit, regulatory compliance and governance. He previously held senior executive positions at GE Capital, ANZ, CBA, Standard Chartered Bank and Citic Kowah Bank (Hong Kong), and has extensive experience dealing with APRA, The Federal Reserve of New York, Hong Kong Monetary Authority and the Monetary Authority of Singapore.

**Corporate reorganisation**

Effective 14 December 2015, Equity Trustees Limited (the former parent entity of the Group) undertook a corporate reorganisation by implementing a Scheme of Arrangement with its shareholders. From this date, EQT Holdings Limited became the new parent entity of Equity Trustees Limited and the Group, and its shares are listed on the Australian Securities Exchange (ASX: EQT).

**Directors' meetings**

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

Directors	Board		Board Committee*		Remuneration, Human Resources, Nomination Committee		Board Audit Committee		Board Risk Committee		Board Investment Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Current Directors</b>												
JA Killen	21	21	2	2	n/a	n/a	n/a	n/a	4	4	n/a	n/a
KJ Eley	21	21	5	5	n/a	n/a	10	10	5	4	n/a	n/a
JG Kennett	21	21	4	4	6	6	1	1	4	4	n/a	n/a
MJ O'Brien	21	21	6	6	n/a	n/a	9	9	5	5	3	3
AM O'Donnell	21	21	4	4	6	6	10	10	5	5	n/a	n/a
AJM Williams	21	18	4	4	6	6	n/a	n/a	4	4	3	3
<b>Former Directors</b>												
RBO Burns	21	14	6	6	n/a	n/a	n/a	n/a	n/a	n/a	3	3
DF Groves	7	5	2	2	4	4	6	6	3	2	2	2

A = Meetings eligible to attend

B = Meetings attended

n/a = Not applicable

Mr DG Sedgwick was appointed to the Company's Board and appointed as a member of the Board Audit Committee and Board Risk Committee on 8 August 2016.

Mr Burns was on approved leave of absence for five of the Board's meetings.

\*Board Committee meetings are constituted by at least any two Directors acting pursuant to the authority of the full Board.

## Directors' shareholding

The following table sets out each Director's relevant interest in shares as at the date of this report. All shares are fully paid ordinary shares.

Director	Number of shares
KJ Eley	112,891
JG Kennett	45,484
JA (Tony) Killen	50,506
MJ O'Brien	11,000
AM O'Donnell	9,647
AJM Williams	4,568
DG Sedgwick	Nil

## Principal activities

The principal activities of the Group during the course of the financial year were trustee and responsible entity services, philanthropic and estate management services, portfolio management, funds management, investment administration and custody services, executor services and financial planning.

## OPERATING AND FINANCIAL REVIEW OF THE GROUP

### Strategy

Equity Trustees aims to be Australia's leading independent provider of trustee services.

Equity Trustees has steadily and assuredly grown its business since 1888, and the acquisition and subsequent successful integration of Equity Trustees Wealth Services Limited (ETWSL – formerly known as ANZ Trustees) over the last two years has positioned the Company to capitalise on the increasing range of opportunities in the sector.

Corporate Trustee Services (CTS) provides a range of Responsible Entity (RE) and trustee services for managed investment trusts on behalf of local and international fund managers and sponsors, as well as specialised trustee services for corporates and structured multi-party transactions.

Trustee & Wealth Services (TWS) provides a range of Private Client, Philanthropic and Superannuation services including estate planning and management; charitable, compensation, Indigenous and personal trust services; wealth management and aged care advice and placement.

### Group financial performance

The following table summarises the Group's performance in FY15 and FY16.

Financial summary	FY16 \$'000	FY15 \$'000	FY16 v FY15 \$'000	FY16 v FY15 %
Operating revenue	83,696	84,857	(1,161)	(1.4)%
Operating expenses	56,958	56,682	276	0.5%
<b>Operating Profit Before Tax (OPBT)</b>	<b>26,738</b>	<b>28,175</b>	<b>(1,437)</b>	<b>(5.1)%</b>
Operating margin (before tax) (%)	31.9%	33.2%		(1.3)%
<b>Operating Profit After Tax (OPAT)</b>	<b>18,765</b>	<b>19,832</b>	<b>(1,067)</b>	<b>(5.4)%</b>
Non-operating items (net of tax) <sup>1</sup>	5,477	2,873	2,604	90.6%
<b>Net Profit After Tax (NPAT)</b>	<b>13,288</b>	<b>16,959</b>	<b>(3,671)</b>	<b>(21.6)%</b>
Diluted Earnings Per Share (EPS) on OPAT <sup>2</sup> (cents)	93.9	101.9	(8.1)	(7.9)%
Diluted EPS on NPAT (cents)	66.5	87.2	(20.7)	(23.7)%
Dividends (cps)	68	94	(26)	(27.7)%
Return on equity on OPAT (%)	7.8%	8.2%		0.4%

<sup>1</sup> The assessment of non-operating items was determined by management and regarded as non-recurring in nature. Effective tax rate is 30%.

<sup>2</sup> Diluted EPS is calculated using the weighted average number of shares and potential ordinary shares on issue of 19,990,973 for FY16 (FY15: 19,457,450).

### Revenue

The main drivers of revenue are Funds Under Management, Administration, Advice and Supervision (FUMAS). FUMAS are influenced by existing client inflows and outflows, new client inflows and to varying extents movement in the financial markets. In CTS, which primarily has Funds Under Supervision (FUS), these are impacted by global equity and fixed interest market movements along with the value of the A\$. In TWS, which has funds in all categories, FUMAS are principally impacted by the level of the Australian equity markets.

The headline 1.4% reduction in revenues reflects the CTS exit from funds distribution, the TWS transition to implementing a more competitive superannuation product and pricing during the financial year, and average Australian equity markets were significantly lower in FY16 compared with FY15. The impact of these factors masked good organic revenue growth across the business.

**EQT Holdings Limited**  
**ABN 22 607 797 615**  
**Directors' Report**

In CTS, strong new business generation underpinned an 18.7% increase in FUS while in TWS FUMAS grew by 3%, reflecting particularly good growth in superannuation.

In TWS for FY16, approximately 50-60% of FUMAS was exposed to equity market movements. The most relevant index is the S&P/ASX 200 Price Index, which was on average down 7% in FY16 compared to the FY15 average. Based on the level of the S&P/ASX 200 at the end of June 2016, a 1% movement in the S&P/ASX 200 impacts annualised TWS revenue by approximately \$0.3m to \$0.4m.

CTS revenues are exposed to global equity and currency markets. However, this is moderated to a significant extent by the diversity of exposures and the impact of hedging across the FUS.

Please note this revenue sensitivity is a guide only and may vary due to a number of factors including, but not limited to, changing asset allocations, the market relative performance of FUMAS, inflows and outflows, and distributions and changes in pricing policy.

### Operating expenses

Total operating expenses in FY16 were \$57.0m, slightly higher (0.5%) than \$56.7m in FY15. This reasonably stable expense outcome was achieved whilst still making strategic additional ongoing investment in front-line capability, systems and business assurance resources to support higher organic growth. These investments were offset by reduced costs from the CTS exit from funds distribution, outsourcing of TWS superannuation administration and reduced staff incentives (reflecting the impact of the results on all stakeholders).

### Non-operating expenses

Non-operating expenses before tax in FY16 were \$7.8m, up substantially from \$4.0m in FY15. The non-operating expenses in FY15 were largely associated with the integration of the acquisition of ETWSL, which was successfully completed on time and budget. The one-off costs in FY16 are principally associated with three key strategic projects outlined below, along with the redundancy costs.

Non-operating items	FY16 \$'000	FY15 \$'000
Corporate Restructure	899	-
Superannuation Upgrade	2,596	-
Business Assurance (enhancing risk and regulatory management)	1,951	-
Other	915	192
Redundancy	1,464	-
ETWSL integration/transition cost	-	3,825
<b>Total non-operating items</b>	<b>7,825</b>	<b>4,017</b>

The Corporate Restructure project involved the establishment of a new, non-operating holding company for the Group via a Scheme of Arrangement. In December 2015, shareholders approved the establishment of EQT Holdings Limited as the new ASX listed parent entity along with the exchange of Equity Trustee Limited shares on a one-for-one basis. The purpose of this restructure was to provide greater regulatory capital efficiency, improved funding flexibility and a more focused governance model.

The Superannuation Upgrade project involved the outsourcing of superannuation administration, consolidation of superannuation funds and development and implementation of a substantially more competitive product offering. This project was successfully completed as planned in FY16.

The Business Assurance project involves upgrading and enhancing our risk management and compliance framework and systems, and is expected to be completed by December 2016. This will ensure we have incorporated all regulatory requirements and developed a modern, contemporary risk management capability that can support Equity Trustees' growth aspirations.

## Business Unit performance summary

### Corporate Trustee Services

#### **Key Products and Services**

- Responsible Entity services for managed funds on behalf of local and international managers and sponsors
- Corporate Trustee services for structured products and security and escrow arrangements

The CTS business has maintained its consistent track record of strong organic growth with FUS up 18.7% in FY16. New fund manager clients increased by 17%, from 82 to 96, and the number of new funds was up 7%, from 199 to 212. Revenue for FY16 was up 1.7% to \$24.1m. This reflected particularly strong organic growth, offset by the CTS exit from funds distribution in the middle of the financial year. If not for the loss of distribution revenue CTS would have achieved double-digit revenue growth.

The strategic decision by CTS to exit funds distribution was made to focus efforts purely on CTS' core fiduciary activities and following the loss of a key client who decided to take the function in-house.

### Trustee & Wealth Services

#### **Key Products and Services**

The provision of:

- Superannuation and Portfolio services to superannuation funds
- Philanthropy services including perpetual charitable trusts, living donors and investment management for not-for-profit organisations
- Wealth and Asset Management advice and services including for aged care
- Estate Planning advice and the management of deceased estates
- Trustee administration and services including personal, compensation and Indigenous trusts, and property

Equity Trustees is a leader in the provision of philanthropic, trust and estate services. Good organic growth momentum is evident across the business and, in general, the number of new clients has been increasing across Estates and Trusts, Advice, Philanthropy and Superannuation Trusteeship. In particular, 13 new perpetual charitable trusts were established in FY16 compared with the long-term average of three to four per annum. TWS FUMAS was up 3% to \$8.7b including strong growth in superannuation funds under management in the face of declining markets.

The upgrade of the superannuation business was a significant and complex project and vital to the ongoing success of this business. It incorporated outsourcing superannuation administration, consolidation of superannuation fund investment options, rationalisation and simplification of products, and implementing more competitive pricing. While the earnings reduction from outsourcing administration and more competitive pricing is significant, the business is now more sustainable and has a much stronger platform for growth. A "Trustee for Partner" growth strategy has been implemented, focusing on selected superannuation promoters and other institutions where trusteeship is not core. Equity Trustees seeks to be the preferred independent supplier of Registrable Superannuation Entity (RSE) trust services and has successfully grown the Trustee for Partner business from 3 funds to 13 funds over the last two years.

## Group financial position

### Summary consolidated Balance Sheet

As at 30 June	FY16 \$'000	FY15 \$'000
<b>Assets</b>		
Cash and cash equivalents	48,723	24,954
Trade receivables and accrued income	16,832	16,289
Goodwill and intangible assets	185,470	188,930
Investments and other assets	6,807	22,061
<b>Total Assets</b>	<b>257,832</b>	<b>252,234</b>
<b>Liabilities</b>		
Trade payables and other liabilities	7,048	9,101
Borrowings	8,000	-
Other non-current liabilities	2,030	2,106
<b>Total Liabilities</b>	<b>17,078</b>	<b>11,207</b>
<b>Net Assets</b>	<b>240,754</b>	<b>241,027</b>
<b>Equity</b>		
Issued capital	231,780	227,652
Reserves	832	2,126
Retained earnings	8,142	11,249
<b>Total Equity</b>	<b>240,754</b>	<b>241,027</b>

#### Balance Sheet analysis

- *Cash and cash equivalents* – increased from \$25.0m to \$48.7m primarily due to the restructure of the investment holdings that support the regulatory capital requirements (\$15.5m) and draw down of loan facility (\$8.0m).
- *Goodwill and intangible assets* – made up of Management Rights, Goodwill acquired and Computer Software. There were no business acquisitions in FY16.

#### Capital management

Equity Trustees over-arching capital management objectives are to:

- Maximise returns to shareholders over the medium term
- Comply with the Group's risk appetite and regulatory requirements
- Support strategic goals
- Withstand adverse events
- Provide flexibility for contingencies and opportunities

Equity Trustees has a prudent balance sheet with low gearing. The Group regularly reviews funding options to ensure it is optimising both the use and mix of its capital to achieve its capital management objectives.

In December 2015, shareholders approved the establishment of a new holding company, EQT Holdings Limited, to be the new parent and ASX listed entity by way of a Scheme of Arrangement. This has enabled improved regulatory capital efficiency, enhanced borrowing flexibility and more effective governance arrangements. In addition, the Group has restructured its Superannuation business to achieve greater efficiency by consolidating the business in one entity and enabling reduction to one Registrable Superannuation Entity licence.

**EQT Holdings Limited**  
**ABN 22 607 797 615**  
**Directors' Report**

For the 2016 financial year, ASIC granted relief from meeting the new minimum Net Tangible Assets (NTA) requirements for AFSL regulatory purposes for the period 1 July 2015 to 30 June 2016. The minimum level of NTA required during this period was \$32m, which the Group comfortably exceeded. Effective from 1 July 2016, AFSL licenced entities are subject to the individual AFSL regulatory requirements and as at 1 July 2016, the minimum combined capital required by the AFSL licenced entities was approximately \$43m, which is required to be held 50% in cash or cash equivalents and 100% in liquid assets. This compares with available regulatory capital (NTA calculated in accordance with regulatory requirements) held of \$53.3m and available resources of \$68.5m as at 1 July 2016, comprised of \$56.5m of liquid assets and \$12m of undrawn corporate debt facility. A further phase of license rationalisation, along with entity reorganisation, is expected to lead to reduced regulatory capital requirements in the period ahead.

The Dividend Reinvestment Plan will continue to operate for the 2016 final dividend, and a 1.25% discount will apply. The 2016 final dividend will be fully franked and payable on 14 October 2016.

### Cash Flow

For year ended 30 June	FY16 \$'000	FY15 \$'000
<b>Cash from operating activities</b>		
Receipts from customers	94,590	94,425
Payment to suppliers and employees	(75,456)	(73,771)
Operating cash flow before income tax	19,134	20,654
Income tax paid	(7,135)	(5,348)
Net cash from operating activities	11,999	15,306
Net cash provided by/(used in) investing activities	15,213	(154,133)
Net cash (used in)/provided by financing activities	(3,443)	(6,456)
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>23,769</b>	<b>(145,283)</b>

### Cash Flow analysis

- Net cash from operating cash flow before income tax is consistent year on year
- No payment for business acquisitions in FY16 compared to \$145.4m made to acquire ETWSL in FY15
- The cash and cash equivalents increased by \$23.8m in FY16 compared to a decrease of \$145.3m in FY15
- \$12.5m increase in proceeds from sale of investments into cash and cash equivalents as part of restructure of investment holdings
- \$8.0m increase in borrowings to improve capital efficiency

### Debt

During the year, the Company established a \$20m banking facility with ANZ Bank to provide additional capital flexibility. As at 30 June 2016, \$8m of this facility was drawn.

Financial covenants associated with the unsecured debt facility include minimum tangible net worth, leverage ratio and interest cover. During FY16, the Group was in compliance with all its debt covenants.

## Shareholder returns and dividends

In determining the 2016 final dividend, the Board had regard to the significant one-off non-operating costs, solid operating performance, likely future capital needs and prospective trading conditions and performance. The Board approved a fully franked final dividend of 34 cents per share (cps), consistent with the interim dividend and bringing the total FY16 dividend to 68cps. This represents a dividend payout ratio of 71.9% of OPAT and 102.3% of NPAT.

Shareholder returns			
For the period	FY16	FY15	FY16 V FY15 %
Diluted EPS on OPAT <sup>1</sup> (cps)	93.9	101.9	(7.9)%
Diluted EPS on NPAT (cps)	66.5	87.2	(23.7)%
Annualised Return on average Equity (ROE) on OPAT (%)	7.8%	8.2%	(0.4)%
Annualised ROE on NPAT (%)	5.5%	7.0%	(1.5)%

Dividends			
For the period	FY16	FY15	FY16 V FY15 %
Fully franked dividends paid/payable (\$'000)	13,541	18,318	(26.1)%
Fully franked dividends per ordinary share (cps)	68	94	(27.7)%
Dividend payout ratio <sup>2</sup>	102.3%	107.8%	(5.5)%
Dividends paid/payable as a proportion of NPAT <sup>3</sup>	101.9%	108.0%	(6.1)%

1. Diluted EPS is calculated using the weighted average number of ordinary and potential ordinary shares on issue.

2. Dividend payout ratio is calculated using dividend(s) paid or resolved to be paid for the relevant period divided by the diluted EPS.

3. Based on ordinary fully paid shares at the end of each reporting period.

### Dividends

In respect of the financial year ended 30 June 2015:

- i. An interim dividend of 46cps, fully franked, was paid to holders of fully paid ordinary shares on 16 April 2015.
- ii. Subsequent to 30 June 2015, the Directors declared a final dividend of 48cps, fully franked, payable to holders of fully paid ordinary shares on 16 October 2015.

In respect of the financial year ended 30 June 2016:

- i. An interim dividend of 34cps, fully franked, was paid to holders of fully paid ordinary shares on 15 April 2016.
- ii. A final dividend of 34cps, fully franked, will be paid to holders of fully paid ordinary shares on 14 October 2016.

## Risk management

The Group's approach to risk management is outlined in the Group Risk Management Framework (RMF) which describes the overarching risk principles, commitment and systems established to ensure that the Group manage its risks appropriately. The RMF is a key component of the Governance hierarchy, which also includes the Governance Management Framework (GMF) and the Compliance Management Framework (CMF) and is aligned with the Group's Risk Appetite Statement.

The RMF comprises the totality of the systems, processes, structures, policies and people involved in identifying, assessing, mitigating and monitoring risks. The RMF supports the Board and management in obtaining an appropriate view of the overall risk profile. The Group has a dedicated Enterprise Risk function, led by the Chief Risk Officer, which has day-to-day responsibility for the design, implementation and maintenance of the Group's RMF.

The RMF is underpinned by a "Three Lines of Assurance" model that drives accountability and responsibility for governance, risk management and compliance. The Three Lines of Assurance model comprises the Committees and Boards that govern the Group; First Line (business operations), Second Line (Enterprise Risk) and Third Line (Internal Audit).

The following table outlines the key business risks faced by the Group.

Risk Category	Description
<b>Strategic</b>	The risk of loss arising from the Company's strategic and business plans and the changing external business environment.
<b>Operational</b>	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Under the RMF, this category also includes insurance risk.
<b>Financial</b>	The risk associated with the failure to effectively manage the Company's financial resources, including, but not limited to, revenue, expenses, capital and liquidity.
<b>People</b>	The risk arising from the failure to attract, motivate and retain key staff that have the skills to achieve the Company's goals; and act ethically, with integrity and transparency.
<b>Outsourcing</b>	The risk of loss arising from the outsourcing of the Company's core and non-core functions to related and/or external entities.
<b>Investment</b>	The risk of loss arising from the failure to effectively manage and monitor investment strategy and the investment process for clients. This risk includes investment governance risk.
<b>Governance and Compliance</b>	The risk arising from a lack of governance and non-compliance with laws, regulations, standards, and internal policies and procedures.

## Outlook

As a large, modern, resource rich country with a relatively small population situated in the economically vibrant Asia-Pacific region, Australia's long-term economic prospects are attractive. Within this context the long-term structural dynamics of an aging demographic, combined with Government mandated superannuation and unprecedented intergenerational wealth transfer in the next few decades, represent a substantial market opportunity for Equity Trustees.

Three key initiatives undertaken in 2016, creating a new holding company, the Superannuation Upgrade, and the Business Assurance project, have been important investments in developing a strong foundation for growth. The first two of these projects are complete and the third is on track and planned to finish in December 2016. These initiatives place Equity Trustees in a good position to take advantage of an expanding range of opportunities in the period ahead.

While the full year impacts of the CTS exit from funds distribution and the TWS restructuring of the superannuation business will ameliorate short-term earnings, there are encouraging signs of good organic growth momentum in both CTS and TWS at this early stage of FY17. Together with initiatives to improve productivity and an expected significant reduction in non-operational costs, further restructuring to improve capital efficiency and assuming no material negative market changes, the outlook for a materially improved bottom-line financial performance in the year ahead and beyond looks promising.

## Events subsequent to Balance date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## Changes in the state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than previously referred to in this report.

## Future developments

Apart from matters disclosed elsewhere in this report, disclosure of information regarding likely developments in the operations of the Group in future financial years, and the expected results of those operations, is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

## REMUNERATION REPORT

### Key Management Personnel

Information regarding the remuneration of Key Management Personnel (KMP) is set out below. KMP includes all Directors of the consolidated entity and the executive managers who have authority and responsibility for the planning, directing and controlling of activities of the consolidated entity. Unless otherwise stated, all references to executives in this remuneration report are references to executives who are KMP. During the year, the retirement of Mr R Burns was announced and as a result there was a transitional period during which Mr R Burns remained the Managing Director of the consolidated entity and Mr M O'Brien was the Executive Director of the consolidated entity. Unless otherwise stated, references in this remuneration report to the Managing Director refer to Mr R Burns and references to the Executive Director refer to Mr M O'Brien.

The names of Directors of the consolidated entity during and since the end of the financial year are provided on pages 2 to 5. The names of executives of the consolidated entity during and since the end of the financial year are listed in the executive remuneration table in the *Remuneration of Directors and executives* section of the remuneration report.

### Remuneration policy

Unless otherwise stated, in this section reference to executive remuneration includes remuneration for KMP executives, the Managing Director and the Executive Director. Non-executive directors do not receive any performance based incentives. The Board's policy on executive remuneration is designed to attract and retain high calibre staff and to reward executives for achieving financial and other business goals, which in turn, increases shareholder wealth.

To assist in performing its duties and making recommendations to the Board, the Remuneration, Human Resources and Nominations Committee (Remuneration Committee) seeks independent advice from external consultants on various remuneration related matters. The Remuneration Committee follows protocols regarding the engagement and use of external remuneration consultants to ensure compliance with the relevant executive remuneration legislation.

### Executive remuneration structure

The executive remuneration structure comprises fixed salary and short and long-term variable components. The table below illustrates the remuneration strategy and approach. Executive remuneration package components are reviewed and structured annually to focus individuals on, and to reward achievement of, specific measures and targets with both short and medium-term horizons.

Remuneration Strategy	
<p><b>Align with EQT Holdings Limited's performance</b></p> <ul style="list-style-type: none"> <li>Assess rewards against short and long-term company targets</li> <li>Make short and long-term components of remuneration 'at risk'</li> <li>Align rewards to building shareholder value</li> </ul>	<p><b>Attract and retain high calibre executives</b></p> <ul style="list-style-type: none"> <li>Be market competitive with rewards and remuneration</li> <li>Continually review strategy and benchmark remuneration</li> </ul>

Remuneration Components		
<b>Fixed Total Employment Costs (TEC)</b> <ul style="list-style-type: none"> <li>Based on employee's level of responsibility, experience, skills and performance. Includes:               <ul style="list-style-type: none"> <li>Salary: fixed annual remuneration</li> <li>Non-monetary: eligible salary sacrifice items and Fringe Benefits Tax (FBT)</li> <li>Post-employment: Superannuation Guarantee Charge (SGC)</li> </ul> </li> </ul>	<b>Short-Term Incentives (STI)</b> <ul style="list-style-type: none"> <li>Annual 'at risk' component based on company, business unit and individual performance.               <ul style="list-style-type: none"> <li>Maximum: The maximum opportunity for executives is in the range of 40% to 60%</li> <li>Settlement: Payment as cash through payroll system</li> </ul> </li> </ul>	<b>Long-Term Incentive (LTI)</b> <ul style="list-style-type: none"> <li>Delivered in equity (shares) based on prescribed performance hurdles               <ul style="list-style-type: none"> <li>Range: 40% to 60% of TEC</li> </ul> </li> <li>Remuneration Committee to consider and recommend LTI participation to the Board</li> <li>Applied over three year period</li> <li>Aligned to long-term growth strategy               <ul style="list-style-type: none"> <li>Total Shareholder Return (TSR) for Managing Director                   <ul style="list-style-type: none"> <li>50% vesting when 50th percentile achieved</li> <li>100% vesting when 75th percentile achieved</li> </ul> </li> <li>Earnings Per Share (EPS) for all participants (refer to <i>Executive Performance Share Plan</i> section for definition of EPS for LTI purposes)                   <ul style="list-style-type: none"> <li>25% vesting when 5% p.a. growth in EPS achieved over three years</li> <li>100% vesting when 15% p.a. growth in EPS achieved over three years</li> </ul> </li> </ul> </li> </ul>

Group executives continue to have a significant portion of their remuneration linked to performance and at risk. This is shown in the table below which shows the remuneration mix if maximum variable elements are achieved for the Managing Director, Executive Director and the executives.

Managing Director	46%	27%	27%
Executive Director	62.5%		37.5%
Group Executives	46% - 56%	22% - 27%	22% - 27%

Fixed (cash)
  STI (cash)
  LTI (equity)

As outlined in the section *Transitional Arrangements – Mr R Burns, Managing Director and Mr M O'Brien Executive Director*, Mr M O'Brien's remuneration arrangements, including remuneration mix for the year ended 30 June 2016, was a transitional arrangement prior to his appointment as Managing Director on 1 July 2016. His remuneration mix following his permanent appointment is the same as shown above for the Managing Director role.

### Details of executive remuneration incentive plans

#### Short-term performance incentives

These are calculated by reference to agreed key performance indicators for the year ended 30 June 2016. These include Group and Business Unit profitability, expense control, and other performance criteria specific to the respective executive's responsibilities. These performance criteria were chosen so as to provide a suitable incentive for executive performance for the benefit of shareholders and other stakeholders. The measurement of criteria is assessed by adopting a balanced scorecard approach, with each criterion given a threshold representing the minimum incentive and a stretch threshold representing an excellent achievement, for which the maximum incentive is paid. In all cases, the Remuneration Committee confirms the appropriateness of the criteria, appropriate thresholds and, at the conclusion of the measurement period, confirms the level of achievement. Short-term incentives are paid in cash through the payroll system.

### **Long-term performance incentives**

These are offered to executives via the grant of LTI awards (Awards) which confer the right to acquire shares at no cost, subject to meeting prescribed performance hurdles. The accounting cost of long-term performance incentives is spread over the measurement (vesting) period. For the year ended 30 June 2016, there was an expense reversal of \$480,619 due to write back of accounting cost (2015: \$840,588 expense incurred). The maximum share-based long-term performance incentive for executives is in the range of 40% to 60% of TEC.

Further details regarding the long-term incentive scheme are in the section *Executive Performance Share Plan*.

### **Directors' remuneration**

Directors' fees are reviewed annually by the Remuneration Committee, having regard to analysis of the market and industry based data and trends. Fees are set to attract and retain high calibre directors and to reflect the workload and contribution required, due to the scale and complexity of the Group. Non-Executive Directors' remuneration consists of a fixed annual fee with no element of performance related pay.

There were no changes to the rates of remuneration payable to Directors in the 2016 year. The increase in fees paid to Directors in 2016 disclosed in these accounts reflects the full year effect of the increases granted on 1 January 2015, as disclosed in the 2015 Annual Report.

### **Transitional Arrangements – Mr R Burns, Managing Director and Mr M O'Brien Executive Director**

On 28 April 2016, Mr Robin Burns announced his retirement from EQT Holdings Limited with his final service date being 1 July 2016.

Effective from 28 April 2016, Mr Mick O'Brien was appointed to the role of Executive Director of EQT Holdings Limited and ceased to be a Non-Executive Director. The remuneration arrangement put in place for this appointment reflected its transitional nature. Mr M O'Brien was subsequently appointed to the permanent role of Managing Director on 1 July 2016 and the remuneration for this new appointment includes fixed remuneration and at-risk short and longer term incentives.

## Relationship between remuneration policy and Group performance

The operational and financial performance of the Group over the last four years to 30 June 2016 has seen a significant uplift in revenue, however on an EPS basis has been steady. For the year ended 30 June 2016 EPS has decreased due to the combined impact in one year of the non-operating cost of a number of key projects to restructure and enhance the Group, exiting CTS fund distribution and upgrading superannuation and the impact of lower markets reducing FUMAS driven revenue. As outlined in the *Operating and Financial Review of the Group* section of the Directors' Report, the undertaking of the key strategic projects has restructured the Group to provide a strong foundation for future growth. There are encouraging signs of good organic growth momentum in CTS and TWS and combined with a significant reduction in non-operating costs the outlook is for improved EPS performance going forward. The Board is of the view that the remuneration policy has enabled the Group to attract and retain high quality management, and that financial rewards to executives are considered appropriate having regard to the Group's relative performance. The short and long-term incentives provided to executives are disclosed in the section *Remuneration of Directors and executives*.

The tables below provide summary information outlining the Group earnings and movements in shareholder wealth for the five years to 30 June 2016.

	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Revenue	83,696	84,857	54,935	47,482	43,647
Net profit before tax	18,913	24,158	13,406	12,517	11,691
Net profit after tax	13,288	16,959	9,713	8,671	8,381

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price at start of year	\$20.39	\$20.98	\$14.90	\$11.06	\$13.90
Share price at end of year	\$16.44	\$20.39	\$20.98	\$14.90	\$11.06
Interim dividend <sup>1</sup>	34 cps	46 cps	46 cps	42 cps	40 cps
Final dividend <sup>1,2</sup>	34 cps	48 cps	48 cps	50 cps	45 cps
Total dividend	68 cps	94 cps	94 cps	92 cps	85 cps
Earnings per share <sup>3</sup>	66.98 cps	87.80 cps	88.64 cps	87.58 cps	87.66 cps
Reported earnings per share	66.98 cps	87.80 cps	88.64 cps	96.65 cps	96.74 cps

<sup>1</sup> All dividends are franked to 100% at 30% corporate income tax rate.

<sup>2</sup> The final dividend was declared after balance date and is not reflected in the financial statements as at 30 June for each year.

<sup>3</sup> Earnings per share figures for 2012 to 2013 have been restated to reflect the Rights issue in April/May 2014.

## Remuneration of Directors and executives

### Directors

The following table discloses the Directors of EQT Holdings Limited during the year, together with their remuneration entitlements.

Directors	Short-term benefits			Post-employment benefits		Long-term employee benefits	Share-based payments <sup>4</sup>	Total
	Fee/salary	Bonus	Non-monetary <sup>1</sup>	Superannuation <sup>2</sup>	DRA <sup>3</sup>			
Non-Executive Directors	\$	\$	\$	\$	\$	\$	\$	\$
<b>JA (Tony) Killen, Chairman</b>								
2016	180,000	-	-	17,100	849	-	-	197,949
2015	172,500	-	-	16,388	779	-	-	189,667
<b>DF Groves, Deputy Chairman<sup>5</sup></b>								
2016	54,200	-	2,500	17,213	1,321	-	-	75,234
2015	99,595	-	5,000	32,280	2,059	-	-	138,934
<b>AJM Williams</b>								
2016	102,500	-	5,000	10,212	-	-	-	117,712
2015	95,000	-	5,000	9,500	-	-	-	109,500
<b>JG Kennett</b>								
2016	92,500	-	5,000	9,263	-	-	-	106,763
2015	86,250	-	5,000	8,669	-	-	-	99,919
<b>AM O'Donnell</b>								
2016	112,500	-	5,000	11,163	-	-	-	128,663
2015	103,750	-	5,000	10,331	-	-	-	119,081
<b>KJ Eley</b>								
2016	107,490	-	5,000	18,910	-	-	-	131,400
2015	96,667	-	5,000	20,152	-	-	-	121,819
<b>Executive Directors</b>								
<b>MJ O'Brien, Non-Executive Director, Executive Director<sup>6</sup></b>								
2016 (NED)	100,000	-	-	9,500	-	-	-	109,500
2016 (ED)	84,836	-	1,649	25,054	-	-	-	111,539
2016 (TOTAL)	184,836	-	1,649	34,554	-	-	-	221,039
2015	89,583	-	-	19,460	-	-	-	109,043
<b>RBO Burns, Managing Director<sup>7</sup></b>								
2016	1,041,352	n/a	10,417	32,385	-	(45,672)	(156,824)	881,658
2015	551,575	139,200	9,642	18,783	-	14,130	282,512	1,015,842

<sup>1</sup> Non-monetary items include eligible salary sacrificed items and any FBT. This includes any sacrificed amounts into EQT shares in accordance with the EQT Salary Sacrifice Share Plan.

<sup>2</sup> Superannuation includes the SGC and, in some cases, additional superannuation payments that have been sacrificed from Directors' fees and entitlements.

<sup>3</sup> Directors' Retiring Allowance (DRA) represents the movement in the accrual for Directors' retiring allowance and is calculated in accordance with the accounting policy as outlined in note 3.9 to the financial statements. At the 2005 AGM, shareholders approved an increase in the Directors' fees cap on the condition that the DRA scheme was grandfathered for existing Directors and closed to future Directors. The DRA for then participating Directors was frozen as at 31 December 2005, however, the frozen amounts are inflation adjusted annually for the movement in CPI. Upon retirement, Directors participating in the DRA scheme are paid their DRA balance.

<sup>4</sup> This is the expensed accounting cost of the actual and potential outcomes of the Awards made in 2013/14, 2014/15 and 2015/16. Refer also to footnote 3 on page 21.

<sup>5</sup> Mr DF Groves retired as a Director on 14 December 2015. Mr Groves received a payment of \$121,667 in relation to his DRA. The payment of the balance of his DRA is subject to shareholder approval at the AGM on 28 October 2016.

<sup>6</sup> Mr MJ O'Brien was appointed Executive Director on 28 April 2016 and subsequently was appointed to a permanent role of Managing Director on 1 July 2016. Mr O'Brien was entitled to a short-term incentive under his transitional remuneration arrangements, however, following his appointment on 1 July 2016, these arrangements have been superseded by mutual agreement and he will be entitled to short and long-term incentives for the 2017 financial year onwards in his role as Managing Director.

<sup>7</sup> Mr RBO Burns retired as Managing Director on 1 July 2016. The salary component of his remuneration includes a retirement payment of \$400,264 and \$50,813 of accumulated annual leave. The superannuation component includes \$13,077 SGC in relation to the retirement payment.

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**Directors' Report**

**Executives**

The following table discloses the executives of EQT Holdings Limited during the year, together with their remuneration entitlements. Unless otherwise stated the executives held their position for the whole of the financial year and since the end of the financial year.

Remuneration entitlements of the executives during the year are made up of a cash component, as well as an accounting based accrual for such items as long-term employee benefits and share-based payments, as per the following table:

Executives	Short-term employee benefits		Post Employment benefits	Total Employment Cost (TEC)	Short-term bonus/incentive	Long-term employee benefits	Share based payments <sup>3</sup>	Total
	Salary \$	Non-monetary <sup>1</sup> \$	Superannuation <sup>2</sup> \$	\$	\$	\$	\$	
<b>GR Rimmer, Executive General Manager, Trustee &amp; Wealth Services</b>								
2016	375,692	5,000	24,308	405,000	50,000	6,089	(80,514)	380,575
2015	340,017	5,000	34,983	380,000	137,700	4,518	117,227	639,445
<b>HH Kalman, Executive General Manager, Corporate Trustee Services</b>								
2016	350,593	10,099	19,308	380,000	85,000	16,710	(75,437)	406,273
2015	311,575	9,642	18,783	340,000	92,820	9,824	112,148	554,792
<b>SF Clancy, Executive General Manager, HR, Marketing and Communications</b>								
2016	290,887	9,805	19,308	320,000	45,000	1,610	(34,907)	331,703
2015	200,189	6,454	14,088	220,731	39,000	698	34,907	295,336
<b>RE Bessemer, Chief Operations Officer</b>								
2016	280,593	10,099	19,308	310,000	40,000	6,234	(62,635)	293,599
2015	263,169	8,048	18,783	290,000	134,800	4,929	90,167	519,896
<b>MG Walsh, Chief Risk Officer<sup>4</sup></b>								
2016	228,324	-	34,973	263,297	40,000	852	-	304,149
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>PD Gentry, Chief Financial Officer<sup>5</sup></b>								
2016	147,926	4,124	29,308	181,358	30,000	507	n/a	211,865
2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>T Ryan, Chief Financial Officer<sup>6</sup></b>								
2016	79,270	1,646	19,827	100,743	n/a	(846)	51,588	151,485
2015	295,575	9,642	34,783	340,000	38,250	9,319	112,148	499,717

<sup>1</sup> Non-monetary items include eligible salary sacrificed items and any FBT. This includes any sacrificed amounts into EQT shares in accordance with the EQT Salary Sacrifice Share Plan.

<sup>2</sup> Superannuation includes the SGC and, in some cases, additional superannuation payments that have been sacrificed from salary.

<sup>3</sup> Share-based payments relate to the value of Awards. The value attributable to Awards is based on the accounting cost, using the fair value at grant date. For the EPS criterion an assessment is made of the likely achievement of performance hurdles over the three year measurement period and the accounting cost is adjusted accordingly. The EPS criterion for the 2013/14 Series which ended on 30 June 2016 was awarded at 19.73% of the maximum. Where an executive ceases employment during the year, there is a write-back of prior year EPS accounting costs which can result in a negative figure in the current year. A negative figure can also occur where the accounting estimate of the proportion of an EPS that will be earned is revised. For the TSR criterion the accounting standard requires the accounting cost to be spread over the measurement period regardless of the extent of achievement of the performance criterion. The TSR for the 2013/14 Series which ended on 30 June 2016 was awarded at 33.33% of the maximum. Regardless of the performance outcome of TSR Awards, 100% of the accounting cost is charged against executive remuneration packages, even though the executive may receive a lesser award when measures are finalised. For TSR where a service criterion is not achieved the related accounting cost is written back to profit or loss.

<sup>4</sup> Mr MG Walsh became an executive effective 17 August 2015, therefore comparative figures are not applicable.

<sup>5</sup> Mr PD Gentry became an executive effective 25 January 2016, therefore comparative figures are not applicable.

<sup>6</sup> Mr T Ryan retired on 11 September 2015. The salary component of the remuneration includes accrued annual leave.

n/a Not applicable.

*Former executives*

Mr PB Maddox ceased to be an executive for the 2016 financial year. Mr G Boubouras departed the Company 13 August 2014. These former executives are not shown in the 2015 financial year comparatives. This information is available in the 2015 Annual Report.

### Short-term incentive: targets and outcomes

At the end of the performance period, short-term incentive targets were assessed by the Board in respect of the Executive Director and the Executive Director assessed the performance of the executives. The Remuneration Committee and the Board considered and approved these incentives. The outcome of each assessment is set out below:

Executives	TEC	STI opportunity	STI awarded	% awarded in year
	\$	\$	\$	%
MJ O'Brien <sup>1</sup>	620,000	372,000	nil	nil
RBO Burns <sup>2</sup>	620,000	372,000	nil	nil
GR Rimmer	405,000	243,000	50,000	21
HH Kalman	380,000	228,000	85,000	37
P Gentry <sup>3</sup>	400,000	200,000	30,000	35
T Ryan <sup>4</sup>	340,000	170,000	nil	nil
RE Bessemer	310,000	124,000	40,000	32
G Walsh	320,000	128,000	40,000	31
SF Clancy	320,000	128,000	45,000	35

<sup>1</sup> Mr MJ O'Brien was appointed to Executive Director on 28 April 2016 and subsequently was appointed to a permanent role of Managing Director on 1 July 2016. Mr O'Brien was entitled to a short-term incentive under his transitional remuneration arrangements however, following his appointment on 1 July 2016, these arrangements have been superseded by mutual agreement and he will be entitled to short and long-term incentives for the 2017 financial year.

<sup>2</sup> Mr RBO Burns retired as Managing Director on 1 July 2016. Mr Burns did not receive a short-term incentive. Mr Burns by mutual agreement received a retirement payment of \$400,264 plus SGC of \$13,077.

<sup>3</sup> Mr P Gentry received a pro-rata amount of his short-term incentive as he commenced on 25 January 2016.

<sup>4</sup> Mr T Ryan retired on 11 September 2015, and as a result he did not receive a short-term incentive.

### Link between profit outcomes and executive remuneration

In accordance with the short-term incentive criteria, short-term incentives were earned by the executives. Based on 2015/16 criteria, when compared to actual 2015/16 performance, approximately 28% (2015: 40%) of the maximum short-term incentive opportunity has been awarded to eligible executives. Individual awards to executives were in the range of 0% to 37% of maximum possible short-term incentives. In both FY15 and FY16 short-term incentives payments to some executives included amounts awarded to reflect specific individual contributions to material projects or initiatives, in addition to annual performance incentive criteria. These amounts are included in the "STI awarded" and the "% awarded in year" columns above.

In relation to the long-term incentive measurement criteria, as described in the *Executive Performance Share Plan* section, eligible executives who were employed at 30 June 2016 were awarded 19.73% of their individual award for the EPS measure for the 2013/14 Series which ended 30 June 2016. For the 2013/14 Series TSR measure, 33.3% of awards were awarded.

### Employment agreements

The employment agreements for the Managing Director and executives are ongoing, permanent full-time agreements which do not have a stipulated fixed term. The designated notice period for the Managing Director is six months. For the executives, the designated notice period ranges between four weeks and three months.

For the Executive Director, the employment agreement was for a fixed-term period of twelve months. The designated notice period was three months. Mr O'Brien was appointed to the permanent role of Managing Director on 1 July 2016 and this appointment does not have a stipulated term and the designated notice period is six months.

## Executive Performance Share Plan

LTI awards (Awards) are offered to executives (including some executives who are not KMP) under the *Executive Performance Share Plan 1999* (the Plan). The first issue of Awards commenced with the 2005/06 Series and has continued in each subsequent year.

The structure of the Plan approved by the Remuneration Committee forms part of the remuneration structure of eligible executives, in particular, the long-term incentive component of remuneration.

The following is an overview of the key features of the Plan as determined by the Remuneration Committee and approved by the Board:

- The Remuneration Committee will consider and approve participants under the Plan;
- The value of the Award is determined by the Remuneration Committee;
- The number of share entitlements issued to each participant for a particular Series is calculated by dividing the value of the Award by the weighted average share price of EQT shares traded during the three month period to 30 June of each year;
- The performance criteria are based on:
  - TSR for the Managing Director only; and
  - EPS for all participants including Managing Director;
  - The Award for the Managing Director is 50% TSR and 50% EPS;
- As Executive Director Mr O'Brien was not eligible for LTI for the 2016 financial year;
- The criteria are selected as they are aligned to long-term growth in shareholder value;
- TSR is defined as the increase in share price over the three year measurement period, plus dividends reinvested over the three year period. This is compared to a Comparator Group based on the ASX Diversified Financials Index and a vesting scale is applied;
  - The vesting scale for TSR Awards for series 2013/14, 2014/15 and 2015/16 was:
    - A TSR ranking of 50th percentile achieves 50% of the available Award; or
    - A TSR ranking of 75th percentile or above achieves 100% of the available Award;
- EPS for Series 2015/16 is the reported EPS as per the Group financial statements for the year immediately before the start of the series (i.e. 30 June 2015);
- EPS for Series 2013/14 and 2014/15 is based on operating profit before tax, which may exclude approved non-operating items such as acquisition and integration expenses and approved adjustments for certain material share issues;
- The EPS is compared to the base year and a vesting scale applied to calculate earned entitlements;
  - The vesting scale for EPS Awards for series 2013/14, 2014/15 and 2015/16 was:
    - Growth in pre-tax operating EPS of 5% p.a. over the three year measurement period achieves 25% of the available Award; or
    - Growth in pre-tax operating EPS of 15% p.a. over three year measurement period achieves 100% of the available Award;
- The term of each Award series is a three year period, with additional performance assessments during the fourth year, if applicable, for TSR criterion Awards. If there is no TSR criterion Award achieved after the initial three year period, a fourth year measurement period is undertaken. If there is a partial achievement of a TSR criterion Award after the initial three year period, there is no fourth year assessment. There is no fourth year EPS performance assessment, regardless of the outcome after the initial three year period;
- Each share entitlement converts to one ordinary share of EQT on exercise;
- No amounts are paid or payable by participants on receipt of the share entitlements;
- The share entitlements carry neither rights to dividends nor voting rights;
- The number of share entitlements on issue is adjusted for any capital reconstructions during the measurement period;
- Holders of share entitlements do not have a right, by virtue of the entitlements held, to participate in any new share issue of the Company;
- The participant should be employed within the Group for the duration of the measurement period to exercise any share entitlements;
- Shares are subject to forfeiture conditions during the three year measurement period;

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- Shares can be assigned disposal restrictions of up to twelve years which will apply to shares issued following the three year measurement period;
- Dividends are received by participants once Awards are vested into shares;
- The use of hedging or derivative techniques is not permitted until shares are released from the forfeiture condition. If hedging or derivative techniques are used during the period when there is still a forfeiture condition in place, then the shares are forfeited; and
- The Group Securities Dealing Policy also makes reference to the ban on hedging or derivative techniques and applies to all Group employees.

In accordance with the Plan, variations to the above features may apply, where approved by the Board.

The grant date for the 2015/16 Series was 27 August 2015 for executives and 27 November 2015 for the Managing Director. There were no alterations to terms or conditions of the 2015/16 Series compared to the prior year apart from the change to the EPS criterion described above.

The 2013/14 Series EPS criterion which ended on 30 June 2016 was awarded to eligible executives who were employed at 30 June 2016 at 19.73% of the maximum. For the 2013/14 Series EPS criterion 17,284 EQT shares were awarded to executives including departed executives and 47,469 EPS Awards were forfeited. For the 2013/14 Series TSR criterion 3,319 EQT shares were awarded and 6,639 forfeited. During the year, departed executives were awarded 2,894 EQT shares under the 2014/15 series EPS criterion.

The following unvested share-based payment arrangements under the LTI were in existence during the period:

Award Series	Number at 30 June 2016	Grant date	Expiry date	Exercise price	Fair value at Grant date	Total maximum future accounting value of Grant*
				\$	\$	\$
2015/16 Series	39,160	**	30/06/18	Nil	18.27	761,662
2014/15 Series	28,349	***	30/06/17	Nil	16.18	489,304
<b>Totals</b>	<b>67,509</b>					<b>1,250,966</b>

\* The minimum future accounting value of each Grant is nil.

\*\* The Grant date for executives was 27 August 2015 and for the Managing Director, 27 November 2015.

\*\*\* The Grant date for executives was 25 July 2014 and for the Managing Director, 31 October 2014.

The share entitlements were valued by PricewaterhouseCoopers using an adjusted form of the Black-Scholes Option Pricing Model that incorporates a Monte Carlo simulation analysis. The model has been modified to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share entitlements vesting.

Inputs into the model	2015/16 Series		2014/15 Series	
	Managing Director	Other Participants	Managing Director	Other Participants
Grant date share price	\$21.01	\$22.65	\$19.20	\$20.20
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	30%	30%	25%	25%
Share entitlement life <sup>1</sup>	3 years	3 years	3 years	3 years
Dividend yield	5.5%	5.5%	5.5%	5.5%
Risk-free interest rate	2.09%	1.80%	2.57%	2.68%

<sup>1</sup> In accordance with the Plan, the measurement of performance criteria is at the end of the three year period ending 30 June, however, if the TSR performance criterion (Managing Director only) is zero a further assessment at the end of the fourth year will apply.

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The following is a summary of movements in Awards in respect of executives:

2016	Balance of Awards at 1 July 2015	Awards granted as compensation	Awards exercised into shares	Awards forfeited <sup>1</sup>	Balance of Awards at 30 June 2016	Awards vested & exercisable (excluding those already exercised)	Balance of Awards not vested at 30 June 2016 <sup>2</sup>	Vested during 2016 year
	No.	No.	No.	No.	No.	No.	No.	No.
RBO Burns	39,110	17,119	-	(50,946)	5,283	(5,283)	-	5,283
T Ryan	15,346	-	(10,739)	(4,607)	-	-	-	10,739
HH Kalman	15,346	10,492	-	(6,297)	19,541	(1,548)	17,993	1,548
GR Rimmer	16,228	11,182	-	(6,297)	21,113	(1,548)	19,565	1,548
SF Clancy	6,067	5,890	-	-	11,957	-	11,957	-
RE Bessemer	12,674	5,706	-	(5,038)	13,342	(1,238)	12,104	1,238
G. Walsh	-	5,890	-	-	5,890	-	5,890	-
PD Gentry	-	-	-	-	-	-	-	-

<sup>1</sup> The value of Awards forfeited for executives during the year ended 30 June 2016 was \$515,569 for the 2013/14 Series, \$520,285 for the 2014/15 Series and \$426,066 for the 2015/16 Series.

<sup>2</sup> The balance of Awards not vested at 30 June 2016 does not necessarily represent Awards that will be vested in the future. The balance will remain until the respective measurement periods have been completed and a final assessment is made.

2015	Balance of Awards at 1 July 2014	Awards granted as compensation	Awards exercised into shares	Awards forfeited <sup>1</sup>	Balance of Awards at 30 June 2015	Awards vested & exercisable (excluding those already exercised)	Balance of Awards not vested at 30 June 2015 <sup>2</sup>	Vested during 2015 year
	No.	No.	No.	No.	No.	No.	No.	No.
RBO Burns	41,902	19,194	-	(345)	60,751	(21,641)	39,110	21,641
T Ryan	17,616	7,501	-	(307)	24,810	(9,464)	15,346	9,464
HH Kalman	17,616	7,501	-	(307)	24,810	(9,464)	15,346	9,464
GR Rimmer	17,616	8,383	-	(307)	25,692	(9,464)	16,228	9,464
RE Bessemer	13,604	6,398	-	(230)	19,772	(7,098)	12,674	7,098
SF Clancy	-	6,067	-	-	6,067	-	6,067	-

<sup>1</sup> The value of Awards forfeited for executives during the year ended 30 June 2015 was \$14,880 for the 2012/13 Series.

<sup>2</sup> The balance of Awards not vested at 30 June 2015 does not necessarily represent Awards that will be vested in the future. The balance will remain until the respective measurement periods have been completed and a final assessment is made.

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**Directors' Report**

### Director and executive equity holdings

Director and executive relevant interests in fully paid ordinary shares of EQT Holdings Limited for the financial year are as follows:

	Balance at 1 Jul 2015	Received on exercise of share right	Net other change	Balance at 30 Jun 2016
2016	No.	No.	No.	No.
<b>Directors</b>				
DF Groves <sup>1</sup>	380,046	-	115	380,161
KJ Eley	92,543	-	20,270	112,813
JG Kennett	37,337	-	8,069	45,406
JA (Tony) Killen	30,345	-	20,161	50,506
RBO Burns	24,759	21,641	1,000	47,400
MJ O'Brien	10,000	-	1,000	11,000
AM O'Donnell	7,546	-	2,023	9,569
AJM Williams	4,080	-	410	4,490
<b>Executives</b>				
HH Kalman	29,406	9,464	87	38,957
T Ryan <sup>1</sup>	28,418	20,203	-	48,621
GR Rimmer	6,578	9,464	269	16,311
RE Bessemer	1,589	7,098	-	8,687
SF Clancy	-	-	-	-
PD Gentry	-	-	1,019	1,019
MG Walsh	-	-	-	-

<sup>1</sup> The balances shown for Mr Groves and Mr Ryan represent the number of shares held on the dates that they ceased to be a Director and executive, respectively.

There were no shares granted during the 2016 financial year as compensation.

	Balance at 1 Jul 2014	Received on exercise of share right	Net other change	Balance at 30 Jun 2015
2015	No.	No.	No.	No.
<b>Directors</b>				
DF Groves	379,798	-	248	380,046
KJ Eley	89,033	-	3,510	92,543
JG Kennett	35,495	-	1,842	37,337
JA (Tony) Killen	29,045	-	1,300	30,345
RBO Burns	6,778	17,981	-	24,759
MJ O'Brien	-	-	10,000	10,000
AM O'Donnell	7,076	-	470	7,546
AJM Williams	2,811	-	1,269	4,080
<b>Executives</b>				
HH Kalman	25,394	3,927	85	29,406
T Ryan	23,193	3,927	1,298	28,418
GR Rimmer	6,330	-	248	6,578
RE Bessemer	-	1,589	-	1,589
SF Clancy	-	-	-	-

There were no shares granted during the 2015 financial year as compensation.

## ADDITIONAL INFORMATION

### Indemnification of Directors, Officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, Company Secretaries and Officers of the Group against a liability incurred as a Director, Company Secretary or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the coverage and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a Director, a Company Secretary, an Officer or auditor of the Company or of any related body corporate against a liability incurred as such a Director, Company Secretary, Officer or auditor.

### Rounding-off of amounts

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

### Non-audit services

The Directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 11 to the Financial Statements.

### Auditor's independence declaration

The auditor's independence declaration is included on page 28.

### Licensed Trustees

Equity Trustees Limited and Equity Trustees Wealth Services Limited are licensed under the *Corporations Act 2001* to provide traditional trustee company services. This includes performing estate management functions, preparing a Will, preparing a trust instrument, preparing a power of attorney or preparing an agency agreement, applying for probate of a Will, applying for grant of letter of administration or electing to administer a deceased estate, and establishing and operating common funds. Assets and liabilities of trusts, estates and agencies for which it acts as trustee, executor or agent, are not included in the Company's financial statement.

Equity Trustees Superannuation Limited is licensed under the *Corporations Act 2001* to provide superannuation trustee services. Assets and liabilities of superannuation funds for which it acts as trustee are not included in the Company's financial statement.

On behalf of the Directors



Mr JA (Tony) Killen OAM  
Chairman  
Dated 31 August 2016

# AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu  
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31 August 2016

The Board of Directors  
EQT Holdings Limited  
Level 2, 575 Bourke Street  
MELBOURNE VIC 3000

Dear Board Members

## **EQT Holdings Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of EQT Holdings Limited.

As lead audit partner for the audit of the financial statements of EQT Holdings Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Neil Brown  
Partner  
Chartered Accountants

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

## DIRECTORS' DECLARATION

**EQT Holdings Limited**  
ABN 22 607 797 615

**Directors' Declaration for the financial year ended 30 June 2016**

The Directors declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group; and
- d) The Directors have received from the Managing Director and the Chief Financial Officer the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



**Mr JA (Tony) Killen OAM**  
**Chairman**  
**Dated 31 August 2016**

# Financial Report

for the Financial Year Ended 30 June 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the Financial Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Revenue	6	82,459	83,735
Other revenue	6	1,237	1,122
<b>Total revenue</b>	<b>6</b>	<b>83,696</b>	<b>84,857</b>
Employee benefits expenses	8	37,521	37,482
Other employment and contracting expenses		2,913	3,263
Audit and tax advice expenses		810	1,089
Depreciation and amortisation expenses	8	2,155	1,796
Management rights amortisation	8	1,313	1,345
Insurance expenses		621	630
Legal, consulting and regulatory expenses		2,293	1,124
Marketing expenses		1,335	1,684
Information technology expenses		4,022	3,600
Occupancy expenses		2,508	2,333
Project expenses		6,361	4,017
Other expenses		2,931	2,336
<b>Total expenses</b>		<b>64,783</b>	<b>60,699</b>
<b>Profit before income tax expense</b>		<b>18,913</b>	<b>24,158</b>
Income tax expense	9	5,625	7,199
<b>Profit for the year</b>		<b>13,288</b>	<b>16,959</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Realised (gain)/loss on sale of available-for-sale investments		(238)	-
Increase/(decrease) from revaluation of available-for-sale investments		(96)	(73)
Income tax relating to items that may be reclassified subsequently		100	22
<b>Total comprehensive income for the year</b>		<b>13,054</b>	<b>16,908</b>
<b>Attributable to:</b>			
<b>Owners of the Company</b>		<b>13,054</b>	<b>16,908</b>
<b>Earnings per share</b>			
Basic (cents per share)	29	66.98	87.80
Diluted (cents per share)	29	66.47	87.16

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	37	48,723	24,954
Trade and other receivables	12	11,276	9,651
Accrued income and other current assets	13	5,556	6,638
Other financial assets	15	-	5,150
<b>Total current assets</b>		<b>65,555</b>	<b>46,393</b>
<b>Non-current assets</b>			
Trade and other receivables	14	1,825	1,210
Other financial assets	15	-	10,493
Furniture, equipment and leasehold	16	1,463	1,192
Intangible assets	17	83,293	86,753
Deferred tax assets	9	3,519	4,016
Goodwill	18	102,177	102,177
<b>Total non-current assets</b>		<b>192,277</b>	<b>205,841</b>
<b>Total assets</b>		<b>257,832</b>	<b>252,234</b>
<b>Current liabilities</b>			
Trade and other payables	19	978	1,175
Provisions	21	5,065	5,480
Borrowings	20	8,000	-
Other current liabilities	22	781	113
Current tax payable	9	224	2,333
<b>Total current liabilities</b>		<b>15,048</b>	<b>9,101</b>
<b>Non-current liabilities</b>			
Provisions	23	1,958	1,941
Other non-current liabilities	24	72	165
<b>Total non-current liabilities</b>		<b>2,030</b>	<b>2,106</b>
<b>Total liabilities</b>		<b>17,078</b>	<b>11,207</b>
<b>Net assets</b>		<b>240,754</b>	<b>241,027</b>
<b>Equity</b>			
Issued capital	26	231,780	227,652
Investment revaluation reserve	28	-	234
Other reserves	27	832	1,892
Retained earnings		8,142	11,249
<b>Equity attributable to owners of the Company</b>		<b>240,754</b>	<b>241,027</b>
<b>Total equity</b>		<b>240,754</b>	<b>241,027</b>

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Financial Year Ended 30 June 2016

	Reserves				Total equity \$'000
	Fully paid ordinary shares \$'000	Investment revaluation \$'000	Retained earnings \$'000	Other reserves \$'000	
<b>Balance at 1 July 2014</b>	<b>216,117</b>	<b>285</b>	<b>12,348</b>	<b>1,349</b>	<b>230,099</b>
Profit for the period	-	-	16,959	-	16,959
Decrease from revaluation of available-for-sale investments	-	(73)	-	-	(73)
Related income tax	-	22	-	-	22
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(51)</b>	<b>16,959</b>	<b>-</b>	<b>16,908</b>
Shares issued under employee salary sacrifice share plan	62	-	-	-	62
Shares issued under dividend reinvestment plan	6,108	-	-	-	6,108
Shares issued under employee share acquisition plan	220	-	-	(220)	-
Shares issued under executive share scheme	372	-	-	(372)	-
Shares issued under share placement	4,953	-	-	-	4,953
Share issue costs	(257)	-	-	-	(257)
Related income tax	77	-	-	-	77
Provision for executive share entitlements	-	-	-	859	859
Provision for employee share acquisition plan	-	-	-	276	276
Payment of dividends	-	-	(18,058)	-	(18,058)
<b>Balance at 30 June 2015</b>	<b>227,652</b>	<b>234</b>	<b>11,249</b>	<b>1,892</b>	<b>241,027</b>
Profit for the period	-	-	13,288	-	13,288
Decrease from revaluation of available-for-sale investments	-	(96)	-	-	(96)
Related income tax	-	29	-	-	29
Gain on sale of available-for-sale investments	-	(238)	-	-	(238)
Related income tax	-	71	-	-	71
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(234)</b>	<b>13,288</b>	<b>-</b>	<b>13,054</b>
Shares issued under employee salary sacrifice share plan	43	-	-	-	43
Shares issued under dividend reinvestment plan	3,067	-	-	-	3,067
Shares issued under employee share acquisition plan	226	-	-	(226)	-
Shares issued under executive share scheme	809	-	-	(809)	-
Share issue costs	(17)	-	-	-	(17)
Related income tax	-	-	-	-	-
Provision for executive share entitlements	-	-	-	(461)	(461)
Provision for employee share acquisition plan	-	-	-	286	286
Transfer to capital reserves	-	-	(150)	150	-
Payment of dividends	-	-	(16,245)	-	(16,245)
<b>Balance at 30 June 2016</b>	<b>231,780</b>	<b>-</b>	<b>8,142</b>	<b>832</b>	<b>240,754</b>

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		94,590	94,425
Payments to suppliers and employees		(75,456)	(73,771)
Income tax paid		(7,135)	(5,348)
<b>Net cash provided by operating activities</b>	37 (b)	<b>11,999</b>	<b>15,306</b>
<b>Cash flows from investing activities</b>			
Payment for investment securities		-	(10,000)
Proceeds on sale of investment securities		15,547	3,000
Interest received		1,248	953
Dividends received		-	1
Payment for furniture, equipment and leasehold		(945)	(548)
Payment for intangible assets		(637)	(2,168)
Payment for shares in a subsidiary		-	(145,371)
<b>Net cash provided by/(used in) investing activities</b>		<b>15,213</b>	<b>(154,133)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		1,752	5,751
Proceeds from borrowings		8,000	-
Payment for share issue cost		(17)	(257)
Dividend paid to members of the parent entity (net of shares issued under dividend reinvestment plan)		(13,178)	(11,950)
<b>Net cash provided by financing activities</b>		<b>(3,443)</b>	<b>(6,456)</b>
<b>Net (decrease)/increase in cash held</b>		<b>23,769</b>	<b>(145,283)</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>24,954</b>	<b>170,237</b>
<b>Cash and cash equivalents at end of financial year</b>	37 (a)	<b>48,723</b>	<b>24,954</b>

The above statement should be read in conjunction with the accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS for the Financial Year Ended 30 June 2016

### 1. General information

EQT Holdings Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol "EQT"), incorporated in Australia and operating solely in Australia.

EQT Holdings Limited's registered office and its principal place of business is Level 2, 575 Bourke St, Melbourne, Victoria 3000, Australia. EQT Holdings Limited and its subsidiaries (refer note 33) are referred to as 'the Group' in the following notes. The principal activities of the Group are described in note 35.

### 2. Application of new and revised Accounting Standards

#### 2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied the amendment (shown below) to AASBs issued by the Australian Accounting Standards Board (AASB). This amendment is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
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The application of the amendment does not have a material impact on the disclosures or amounts recognised in the Group's financial statements and has had no impact on basic and diluted earnings per share (2015: nil).

#### 2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, there were a number of Standards and Interpretations that were issued but not yet effective. The Standards and Interpretations issued but not yet effective that are relevant to the Group are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

## 2. Application of new and revised Accounting Standards (cont'd)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were issued but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

### Impact of changes to Australian Accounting Standards and Interpretations

A number of Australian Accounting Standards and Interpretations are issued but are not effective for the current year end. The following existing group accounting policies will change on adoption of these pronouncements:

#### AASB 9 'Financial Instruments', and the relevant amending standards

AASB 9, issued in December 2009, introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014, mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'Fair Value Through Other Comprehensive Income' (FVTOCI) measurement category for certain simple debt instruments. Key requirements of AASB 9 that are relevant to the Group are as follows:

AASB 9 requires all recognised financial assets that are within its scope to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. AASB 9 permits entities to make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

For measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 'Financial Instruments: Recognition and Measurement', the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139 but provide greater flexibility. The effectiveness test has been amended and there are greater disclosure requirements.

## 2. Application of new and revised Accounting Standards (cont'd)

AASB 9 will apply for the Group for the annual period beginning 1 July 2018. The Directors anticipate that the application of AASB 9 may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until the Group has completed a detailed review.

### **AASB 15 'Revenue from Contracts with Customers'**

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.

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

AASB 15 will apply for the Group for the annual period beginning 1 July 2018. The Directors anticipate that the application of AASB 15 may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.

### **AASB 16 'Leases'**

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 will apply for the Group for the annual period beginning 1 July 2019. The Directors anticipate that the application of AASB 16 may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

### **AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'**

Amends AASB 107 'Statement of Cash Flows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments will apply for the Group for the annual period beginning 1 July 2017. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Other than as noted above, the future adoption of the various Australian Accounting Standards and Interpretations that are issued but not yet effective is not expected to have a material impact on the Group's accounting policies. However, the future adoption of these pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective date.

### **3. Significant accounting policies**

#### **3.1 Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the Company comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 31 August 2016.

#### **Corporate reorganisation and comparatives**

Effective 14 December 2015, Equity Trustees Limited (the former parent entity of the Group) undertook a corporate reorganisation by implementing a Scheme of Arrangement with its shareholders. From this date, EQT Holdings Limited became the new parent entity of Equity Trustees Limited and the Group, and its shares are publicly traded on the Australian Securities Exchange (ASX).

Under the principles of corporate reorganisation, in accordance with the Australian Accounting Standards, the financial statements of EQT Holdings Limited includes the historical financial information of Equity Trustees Limited for the period before the Scheme of Arrangement. This is because the corporate reorganisation did not represent a business combination in accordance with AASB 3 'Business Combination' since the corporate reorganisation did not involve any change of economic substance and, therefore, represents a continuation of the Group. Accordingly, the comparative information presented in the financial statements for the year ended 30 June 2016 represents the consolidated financial position of Equity Trustees Limited and the Group as at 30 June 2015, and the financial performance of Equity Trustees Limited and the Group for the year ended 30 June 2015.

#### **3.2 Basis of preparation**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets'.

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

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

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

The principal accounting policies are set out below.

### 3.3 Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs).

### 3. Significant accounting policies (cont'd)

#### 3.4 Business combinations

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

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

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

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

### 3. Significant accounting policies (cont'd)

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

#### 3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

#### 3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on an accruals basis. Revenue is reduced for rebates and other similar allowances.

#### Fee and commission income

Fee and commission income is recognised when the related service has been performed. In relation to corpus commission a percentage of revenue is recognised on completion of each stage of the estate administration.

#### Dividend and interest revenue

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

#### 3.7 Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 3.8 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred, unless they relate to acquisition, construction or production of qualifying assets in which case the costs are capitalised.

### 3. Significant accounting policies (cont'd)

#### 3.9 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and directors' retiring allowance when it is probable that settlement will be required and they are capable of being measured reliably. The Directors' Retiring Allowance (DRA) was frozen as at 31 December 2005, except for an annual inflation adjustment in line with the movement in CPI.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### 3.10 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The Group has two types of equity-settled share-based payments: the Long-term Incentive Awards (LTI) and the Employee Share Acquisition Plan (ESAP).

Fair value of the LTI is measured by using an adjusted form of the Black-Scholes option pricing model that incorporates a Monte Carlo simulation analysis. The model has been modified to incorporate an estimate of the probability of achieving the performance hurdle and the number of Awards vesting. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Shares issued under the ESAP are valued at fair value which is determined at the date of issue to employees and this amount is expensed in the income statement with a corresponding entry in issued capital.

#### 3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

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

##### **Deferred tax**

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

### 3. Significant accounting policies (cont'd)

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the year

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

#### Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. EQT Holdings Limited is the head entity in the tax-consolidated group and the other members are identified in note 33. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. The Company and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

### 3. Significant accounting policies (cont'd)

#### Investment in tax-consolidated group

Under Australian tax law, the taxable profit made by a tax-consolidated group in relation to an entity leaving the Group depends on a range of factors, including the tax values and/or carrying values of assets and liabilities of the leaving entity, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax-consolidated group will therefore depend upon when each entity leaves the tax-consolidated group and the assets and liabilities that the leaving entity holds at that time.

Because the consolidated entity has no current intention to dispose of any subsidiaries within the Group, a deferred tax liability has not been recognised in relation to investments within the tax-consolidated group. Furthermore, temporary differences that might arise on disposal of the entities in the tax-consolidated group cannot be reliably measured because of their inherent uncertainties surrounding the nature of any future disposal that might occur.

#### 3.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

#### 3.13 Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on furniture and equipment is recognised so as to write-off the cost or valuation of the assets less their residual values over their useful lives using the straight-line method. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

An item of furniture, equipment or leasehold improvement is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of furniture, equipment or leasehold improvement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Computer hardware and equipment	1 – 6 years
Office furniture and equipment	1 – 10 years
Leasehold improvements	2 – 6 years

#### 3.14 Intangible assets

##### Intangible assets acquired separately

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

### 3. Significant accounting policies (cont'd)

#### Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (if finite life intangible) and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Management rights and customer contract intangibles

Management rights and customer contract intangibles arising in relation to acquisitions are carried at cost as non-current intangible assets. Where the management rights and customer contract intangibles have an indefinite useful life they are not amortised but are subject to an ongoing impairment test (refer note 3.15). Where the management rights and customer contract intangibles have a finite useful life they are recorded at cost less accumulated amortisation and accumulated impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

#### Derecognition of intangible assets

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

#### Useful lives of finite life intangible assets

The following useful lives are used in the calculation of amortisation expense:

Software	1-10 years
Management rights and customer contract intangibles	4-16 years
Makegood asset	5 years

### 3. Significant accounting policies (cont'd)

#### 3.15 Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, and intangible assets not yet available for use, are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 3.16 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 3.17 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 3. Significant accounting policies (cont'd)

#### 3.18 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group does not have any financial assets classified as at 'fair value through profit or loss' or 'held-to-maturity'. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

#### Available-for-sale financial assets

Equities and investments in managed investment schemes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 39. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, investment market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

### **3. Significant accounting policies (cont'd)**

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

#### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised, and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income, is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### **3.19 Financial liabilities and equity instruments**

##### **Classification as debt or equity**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

### 3. Significant accounting policies (cont'd)

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated at fair value through the profit or loss, are subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies.

#### Other financial liabilities

The financial liabilities of the Group are classified as other financial liabilities. There are no financial liabilities classified as fair value through the profit or loss. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 3.20 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

The following are the critical judgements and key sources of estimation uncertainty used in the preparation of the financial statements that have a significant impact on the amounts recognised in the consolidated financial statements.

##### **Impairment of goodwill, and indefinite life management rights and customer contract intangibles**

Determining whether goodwill or the indefinite life management rights and customer contract are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and the indefinite life management rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate present value.

At 30 June 2016, the carrying amount of goodwill is \$102,177,000 and the management rights and customer contract intangibles is \$77,957,000 (2015: \$102,177,000 goodwill and \$79,270,000 management rights and customer contract intangibles). No impairment has been identified (30 June 2015: nil).

##### **Intangible assets**

The useful lives of intangible assets are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years. The Directors also review the status of any material software configuration projects in progress. At 30 June 2016, there were no material software configuration projects in progress (2015: \$281,000).

##### **Provisions**

As referred to in note 3.16, the amounts included in provisions represent the Directors' best estimate of the future outflow of economic benefits that will be required to settle identified outstanding issues including employee benefit provisions.

##### **Income tax liabilities**

The ATO is undertaking a review of the tax treatment of an acquisition in the 2011 financial year that resulted in a right to future income deduction. The Group had received tax advice that the tax deduction was allowable and is of the opinion the tax deduction has been correctly calculated and claimed. However, the ultimate outcome of the ATO review is not yet known.

#### 5. Discontinued operations

The Group did not have any discontinued operations (2015: nil).

## 6. Revenue

	2016 \$'000	2015 \$'000
The following is an analysis of the Group's revenue for the year:		
Revenue from service activities	82,459	83,735
Interest revenue:		
– Bank deposits	587	684
– Investments	297	185
Distributions from managed investment scheme	115	253
Gain on sale of available-for-sale investments	238	-
	1,237	1,122
<b>Total revenue</b>	<b>83,696</b>	<b>84,857</b>
The following is an analysis of investment revenue earned on financial assets by category of asset:		
Available-for-sale financial assets	650	438
Loans and receivables (including cash and bank balances)	587	684
<b>Total investment income for financial assets not designated as at fair value through the profit or loss</b>	<b>1,237</b>	<b>1,122</b>

## 7. Finance expenses

The borrowing cost on the unsecured bank loan facility (refer note 20) for the year was \$132,000 (2015: nil). No borrowing costs were capitalised (2015: nil).

## 8. Profit for the year

There is no profit or loss attributable to non-controlling interests (2015: nil).

	2016 \$'000	2015 \$'000
Profit for the year has been arrived at after crediting/(charging) the following gains and (losses):		
Gain from disposal of available-for-sale investments	238	-
Gain/(loss) on disposal of plant and equipment and software	(1,303)	(12)
	(1,065)	(12)
Profit for the year includes the following expenses:		
<b>Depreciation and amortisation</b>		
Depreciation of non-current assets	646	649
Amortisation of non-current assets	1,509	1,146
	2,155	1,795
Amortisation of management rights	1,313	1,345
	3,468	3,140
<b>Operating lease rental expenses</b>		
Minimum lease payments	2,088	1,906
<b>Employee benefit expense</b>		
Post employment benefits:		
– Superannuation contributions	2,696	2,598
Share-based payments:		
– Equity-settled share-based payments	(133)	1,197
Other employee benefits	34,958	33,687
	37,521	37,482
Project related employee benefits	1,166	1,951
<b>Total employee benefit expense</b>	<b>38,687</b>	<b>39,433</b>

## 9. Income taxes

	2016 \$'000	2015 \$'000
<b>Income tax expense comprises:</b>		
Current income tax expense	5,739	6,949
Prior year tax adjustments recognised in the current year	-	(22)
Deferred tax expense relating to the origination and reversal of temporary differences	(143)	250
Deferred tax reclassified from equity to profit or loss	29	22
<b>Total income tax expense</b>	<b>5,625</b>	<b>7,199</b>
<b>The income tax expense for the year can be reconciled to accounting profit as follows:</b>		
Profit before tax from continuing operations	18,913	24,158
Income tax expense calculated at 30%	5,674	7,247
Non-deductible expenses	491	502
Non-assessable income	(540)	(503)
Franked dividends	-	(25)
	5,625	7,221
Prior year tax adjustments	-	(22)
	<b>5,625</b>	<b>7,199</b>

The tax rate used in the above 2016 and 2015 reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2016 \$'000	2015 \$'000
<b>Income tax expense/(credit) recognised directly in equity:</b>		
<b>Current tax</b>		
Share issue expenses deductible over 5 years	(470)	(471)
<b>Deferred tax</b>		
Arising on transactions with equity participants:		
Share issue expenses deductible over 5 years	470	394
<b>Total income tax recognised directly in equity</b>	<b>-</b>	<b>(77)</b>
<b>Income tax expense/(credit) recognised in other comprehensive income:</b>		
<b>Deferred tax</b>		
Movement in revaluation of available-for-sale investments	(29)	(22)
<b>Reclassification from equity to profit or loss</b>		
Realised gain on sale of available-for-sale investments	(71)	-
	<b>(100)</b>	<b>(22)</b>
<b>Current tax liabilities</b>		
Income tax payable	224	2,333
<b>Deferred tax balances are presented in the statement of financial position as follows:</b>		
Deferred tax asset	3,519	4,016

## 9. Income taxes (cont'd)

	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Other \$'000	Closing balance \$'000
<b>2016</b>					
<b>Temporary differences</b>					
Provisions	2,680	(328)	-	-	2,352
Expenditure deductible over 5 years	1,832	8	(470)	-	1,370
Property, plant and equipment	(60)	15	-	-	(45)
Intangible assets	(336)	178	-	-	(158)
Available-for-sale investments	(100)	29	71	-	-
	<b>4,016</b>	<b>(98)</b>	<b>(399)</b>	<b>-</b>	<b>3,519</b>
<b>2015</b>					
<b>Temporary differences</b>					
Provisions	1,934	446	-	300	2,680
Expenditure deductible over 5 years	2,327	(101)	(394)	-	1,832
Property, plant and equipment	(38)	(22)	-	-	(60)
Intangible assets	(263)	(73)	-	-	(336)
Available-for-sale investments	(122)	-	22	-	(100)
	<b>3,838</b>	<b>250</b>	<b>(372)</b>	<b>300</b>	<b>4,016</b>

The Group has no unrecognised deferred tax balances.

### Tax consolidation

For information regarding tax consolidation, tax funding and tax sharing arrangements refer to note 3.11.

## 10. Key management personnel remuneration

	2016 \$'000	2015 \$'000
The aggregate compensation made to key management personnel of the Company and the Group is set out below:		
Short-term employee benefits	3,994	3,856
Post employment benefits (Superannuation)	317	286
Other long-term benefits	(12)	52
Share awards	(359)	813
	<b>3,940</b>	<b>5,007</b>

Full details of the remuneration of key management personnel for the year ended 30 June 2016 are outlined in the Directors' Report.

The share awards of key management personnel for the year ended 30 June 2016 are outlined in the Directors' Report.

## 11. Auditor's remuneration

Auditors – Deloitte Touche Tohmatsu	2016 \$'000	2015 \$'000
<b>Corporate entities</b>		
<b>Audit &amp; Assurance Services</b>		
Audit and review of the consolidated financial statements	286	321
Audit services in accordance with regulatory requirements	93	95
Other assurance services	-	10
	<b>379</b>	<b>426</b>
<b>Other Services</b>		
Tax compliance services in respect of Group corporate entities	10	10
Other services	356	155
<b>Total remuneration for corporate entities</b>	<b>745</b>	<b>591</b>

The 'Other services' amounts paid to Deloitte Touche Tohmatsu are in accordance with the Company's auditor independence policy as outlined in the Corporate Governance Statement.

## 12. Current trade and other receivables

	2016 \$'000	2015 \$'000
Trade receivables	7,230	4,894
Allowance for doubtful debts	(34)	(14)
Other	4,080	4,771
	<b>11,276</b>	<b>9,651</b>

The trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The terms of payment for all trade receivables are 14 days from invoice date. All accounts receivable outstanding more than 30 days are monitored and actively managed. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts relating to outstanding trade receivables as determined by a specific review of outstanding accounts. Factors considered in this review include the nature of the debtor, the relationship with the debtor, length of time the debt has been outstanding and knowledge of the reason for the delay in payment.

## 12. Current trade and other receivables (cont'd)

Before accepting significant new clients the credit worthiness of these clients is assessed by either executive management or the Due Diligence Committee (DDC) depending on the type of client. Other new client credit worthiness is assessed by business managers as is appropriate to the size and nature of those clients and whether the client has funds deposited with the Group from which the Group is permitted to withdraw payment of its fees.

Included within the Group's trade receivable balance are debtors with a carrying amount of \$1,099,000 (2015: \$506,000) which are past due at the reporting date but these have not been provided for as there has not been a significant change in credit quality and the amounts are considered recoverable. The Group does not hold any collateral over these balances.

Other receivables include corpus commission, dividends and interest receivable. These receivables are with Australian Securities Exchange listed companies, Australian banks, Australian managed investment schemes and client accounts administered by the Group. These amounts are all considered recoverable.

	2016 \$'000	2015 \$'000
<b>Trade receivables ageing of past due but not impaired</b>		
Under 30 days	779	276
30-60 days	148	99
Over 60 days	172	131
	<b>1,099</b>	<b>506</b>

	2016 \$'000	2015 \$'000
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	(14)	(13)
Impairment losses recognised on trade receivables	(87)	(31)
Amounts written-off as uncollectible	33	3
Impairment losses reversed	34	27
<b>Balance at end of year</b>	<b>(34)</b>	<b>(14)</b>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

## 13. Accrued income and other current assets

	2016 \$'000	2015 \$'000
Prepayments	1,437	1,598
Accrued income	4,119	5,040
	<b>5,556</b>	<b>6,638</b>

## 14. Non-current trade and other receivables

	2016 \$'000	2015 \$'000
Corpus commission earned but not collected	108	108
Other receivables	1,717	1,102
	<b>1,825</b>	<b>1,210</b>

## 15. Other financial assets

	2016 \$'000	2015 \$'000
<b>Available-for-sale investments carried at fair value:</b>		
Managed investments schemes	-	10,493
<b>Loans and receivables carried at amortised cost:</b>		
Term deposits	-	5,150
<b>Total</b>	<b>-</b>	<b>15,643</b>

## 16. Furniture, equipment and leasehold

	Computer hardware & equipment at cost \$'000	Leasehold improvement at cost \$'000	Office furniture & equipment at cost \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 July 2014	2,516	1,239	844	4,599
Additions	205	56	87	348
Disposals	(263)	(5)	(13)	(281)
<b>Balance at 30 June 2015</b>	<b>2,458</b>	<b>1,290</b>	<b>918</b>	<b>4,666</b>
Additions	818	1	98	917
Disposals	-	-	(43)	(43)
<b>Balance at 30 June 2016</b>	<b>3,276</b>	<b>1,291</b>	<b>973</b>	<b>5,540</b>
<b>Accumulated depreciation/amortisation and impairment</b>				
Balance at 1 July 2014	1,522	986	589	3,097
Disposals	(262)	(5)	(5)	(272)
Depreciation expense	435	121	93	649
<b>Balance at 30 June 2015</b>	<b>1,695</b>	<b>1,102</b>	<b>677</b>	<b>3,474</b>
Disposals	-	-	(43)	(43)
Depreciation expense	464	99	83	646
<b>Balance at 30 June 2016</b>	<b>2,159</b>	<b>1,201</b>	<b>717</b>	<b>4,077</b>
<b>Net book value</b>				
As at 30 June 2015	763	188	241	1,192
<b>As at 30 June 2016</b>	<b>1,117</b>	<b>90</b>	<b>256</b>	<b>1,463</b>

	2016 \$'000	2015 \$'000
<b>Aggregate depreciation recognised as an expense during the year</b>		
Computer hardware and equipment	464	435
Leasehold improvements	99	121
Office furniture and equipment	83	93
	<b>646</b>	<b>649</b>

No depreciation was capitalised.

Depreciation expense is included in the line item 'Depreciation and amortisation expenses' of the statement of profit or loss.

## 17. Intangible assets

	Computer Software \$'000	Leasehold makegood \$'000	Management rights \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 July 2014	9,631	234	30,272	40,137
Additions	2,407	-	51,752	54,159
Disposals	(193)	-	-	(193)
<b>Balance at 30 June 2015</b>	<b>11,845</b>	<b>234</b>	<b>82,024</b>	<b>94,103</b>
Additions	665	-	-	665
Disposals	(1,938)	-	-	(1,938)
<b>Balance at 30 June 2016</b>	<b>10,572</b>	<b>234</b>	<b>82,024</b>	<b>92,830</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2014	3,457	145	1,409	5,011
Amortisation expense	1,119	27	1,345	2,491
Disposals	(152)	-	-	(152)
<b>Balance at 30 June 2015</b>	<b>4,424</b>	<b>172</b>	<b>2,754</b>	<b>7,350</b>
Amortisation expense	1,482	27	1,313	2,822
Disposals	(635)	-	-	(635)
<b>Balance at 30 June 2016</b>	<b>5,271</b>	<b>199</b>	<b>4,067</b>	<b>9,537</b>
<b>Net book value</b>				
As at 30 June 2015	7,421	62	79,270	86,753
<b>As at 30 June 2016</b>	<b>5,301</b>	<b>35</b>	<b>77,957</b>	<b>83,293</b>

Amortisation expense is included in the line item 'Depreciation and amortisation expenses' of the statement of profit or loss.

### Significant intangible assets

The Group holds the following significant management rights and customer contract intangibles. All these are externally generated intangibles.

	2016 \$'000	2015 \$'000
Equity Trustees Wealth Services Limited – indefinite life	42,742	42,742
Equity Trustees Wealth Services Limited – fixed life	6,652	7,831
EquitySuper Master Trust – indefinite life	28,188	28,188
Freedom of Choice – fixed life	247	333
Equity Superannuation Management Pty Limited – fixed life	-	7
Aged Care – fixed life	128	169
	<b>77,957</b>	<b>79,270</b>

The above indefinite life intangibles have been allocated for impairment testing purposes to the Trustee & Wealth Services (TWS) cash-generating unit. The carrying amount of the indefinite life intangibles allocated to the TWS cash-generating unit is \$70,930,000 (2015: \$70,930,000).

Details of the TWS cash-generating unit, the value-in-use calculation of the recoverable amount and key assumptions are contained in note 18.

Management has reviewed the useful life of the indefinite life intangibles and has determined that these indefinite life intangibles continue to have indefinite lives. In undertaking this review management has considered the economic, competitor and regulatory environment in relation to the Trustee Company and Superannuation industries, the contractual rights and contractual relationships in relation to these indefinite life intangibles, and ability of the indefinite life intangibles to continue to have value into the foreseeable future.

## 18. Goodwill

	2016 \$'000	2015 \$'000
Cost	102,177	102,177
Accumulated impairment losses	-	-
	<b>102,177</b>	<b>102,177</b>
Balance at beginning of the financial year	102,177	9,508
Amounts recognised during the year	-	92,669
<b>Balance at end of the financial year</b>	<b>102,177</b>	<b>102,177</b>

There are no accumulated impairment losses (2015: nil).

During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment had occurred (2015: nil).

### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Corporate Trustee Services (CTS)
- Trustee & Wealth Services (TWS)

The carrying amount of goodwill was allocated to the following cash-generating units.

	2016 \$'000	2015 \$'000
CTS	3,680	3,680
TWS	98,497	98,497
	<b>102,177</b>	<b>102,177</b>

### Corporate Trustee Services (CTS)

The recoverable amount of the CTS operating segment is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a terminal value based on a conservative rate of growth. These cash flows are discounted at a pre-tax rate of 10.16% (2015: 10.95%). Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CTS cash-generating unit.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management, basis point fee levels, and expense growth rate.

### Trustee & Wealth Services (TWS)

The recoverable amount of the TWS cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on management's forecast covering a five year period, together with a terminal value based on a conservative rate of growth. These cash flows are discounted at a pre-tax rate of 10.16% (2015: 10.95%). Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the TWS cash-generating unit.

The key assumptions used in the value-in-use calculations are the growth rate of funds under management and growth in ongoing services revenue, growth in one-off advisory services and expense growth rate.

## 19. Current trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	267	454
Goods and services tax payable	428	288
Other	283	433
	<b>978</b>	<b>1,175</b>

The Group's policy regarding trade payables is to pay all invoices by the due date. No interest charges have been incurred on trade payables.

## 20. Borrowings

	2016 \$'000	2015 \$'000
<b>Unsecured at amortised cost</b>		
Loan from ANZ	8,000	-
	<b>8,000</b>	<b>-</b>

On 23 December 2015, EQT Holdings Limited obtained a new unsecured bank loan facility of \$20,000,000 with Australia and New Zealand Banking Group Limited. The drawn down loan amounts bear interest at variable market rates and are repayable within one year. As at 30 June 2016, the amount drawn down from this facility was \$8,000,000 (2015: nil). The weighted average effective interest rate on the drawn down loans is 3.2% per annum (2015: nil debt). The undrawn amount incurs a fixed charge. The loan facility has a term of less than one year and is an interim facility. The Group is in the process of establishing a longer term facility.

## 21. Current provisions

	Employee benefits (note 25) \$'000	Other \$'000	Total \$'000
Balance at 1 July 2015	4,371	1,109	5,480
Additional provisions recognised	-	1,180	1,180
Decrease arising from payments	-	(1,109)	(1,109)
Other movements	(486)	-	(486)
<b>Balance at 30 June 2016</b>	<b>3,885</b>	<b>1,180</b>	<b>5,065</b>

Other provisions include the Directors' best estimate of amounts required to meet fringe benefit tax and other trade payment obligations that are owing.

## 22. Other current liabilities

	2016 \$'000	2015 \$'000
<b>At amortised cost</b>		
Corpus commission collected but not earned	15	60
Other	766	53
	<b>781</b>	<b>113</b>

## 23. Non-current provisions

	Makegood \$'000	Employee benefits (note 25) \$'000	Total \$'000
Balance at 1 July 2015	234	1,707	1,941
Other movements	-	17	17
<b>Balance at 30 June 2016</b>	<b>234</b>	<b>1,724</b>	<b>1,958</b>

The makegood provision represents the present value of the Directors' best estimate of the future outflow of economic benefits that will be required to settle the Group's obligations to makegood its leased premises at the end of the leases.

## 24. Other non-current liabilities

	2016 \$'000	2015 \$'000
Lease related liabilities	37	130
Corpus commission collected but not earned	35	35
	<b>72</b>	<b>165</b>

## 25. Employee benefits

	2016 \$'000	2015 \$'000
The aggregate employee benefits liability recognised and included in the financial statements is as follows:		
<b>Provision for employee benefits</b>		
Current (note 21)		
– Annual leave	2,043	1,931
– Long service leave	248	213
– Bonus	1,508	2,021
– Directors' Retiring Allowance	86	206
	<b>3,885</b>	<b>4,371</b>
Non-current (note 23)		
– Long service leave	1,724	1,707
	<b>5,609</b>	<b>6,078</b>

The above employee benefit provisions are the Directors' best estimate of the future outflow of economic benefits that will be required to settle these future payment obligations.

## 26. Issued capital

	2016 \$'000	2015 \$'000
19,958,965 fully paid ordinary shares (2015: 19,693,727)	231,780	227,652

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

## 26. Issued capital (cont'd)

Fully paid ordinary shares	2016		2015	
	No. '000	\$'000	No. '000	\$'000
Balance at beginning of financial year	19,694	227,652	19,105	216,117
Shares issued under employee share scheme	10	226	10	220
Shares issued under executive share scheme	75	809	39	372
Shares issued under employee salary sacrifice	2	43	3	62
Shares issued under share placement	-	-	235	4,953
Shares issued under dividend reinvestment plan	178	3,067	302	6,108
Share issue costs net of tax	-	(17)	-	(180)
<b>Balance at end of financial year</b>	<b>19,959</b>	<b>231,780</b>	<b>19,694</b>	<b>227,652</b>

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

### Share awards

In accordance with the provisions of the *Executive Performance Share Plan 1999* (the Plan), as at 30 June 2016, eligible executives have share entitlements over 68,000 ordinary shares (2015: 126,000), in aggregate. Further details of the Plan are contained in the remuneration report within the Directors' Report.

## 27. Other reserves

	Employee equity-settled benefits reserve \$'000	Capital reserve \$'000	Total \$'000
Balance at 1 July 2015	1,892	-	1,892
Shares issued	(1,035)	-	(1,035)
Movement in provision	(175)	-	(175)
Transfer of reserves to capital reserve	(200)	350	150
<b>Balance at 30 June 2016</b>	<b>482</b>	<b>350</b>	<b>832</b>

### Employee equity-settled benefits reserve

The employee equity-settled benefits reserve arises on the granting of share entitlements to eligible employees under the *Executive Performance Share Plan 1999* (the Plan) (refer Directors' Report) and on the provision for shares to be issued to staff under the Employee Share Acquisition Plan (ESAP). The ESAP is in place to allow eligible employees to participate in share allotments as approved by the Board on an ongoing basis as deemed appropriate. There is \$300,000 provided for ESAP in 2016 (2015: \$240,000).

### Capital reserve

Entities within the Group are holding capital reserves in relation to their Registrable Superannuation Entity (RSE) licence requirements. These capital reserves are an interim measure until the Superannuation Funds that these entities act as RSE for have fully established their Operational Risk Financial Requirement reserves.

## 28. Investment revaluation reserve

The movement in the investment revaluation reserve account is shown in the *Consolidated Statement of Changes in Equity*.

As at 30 June 2016, the investment revaluation reserve is nil. The investment revaluation reserve arose on the revaluation of investment financial assets that were accounted for as available-for-sale (refer note 3.18). Where a revalued asset is sold, that part of the revaluation reserve that relates to the sold asset is transferred to the income statement and where a revalued asset is impaired, the portion of the reserve which exceeds the fair value of the impaired asset is transferred to the statement of profit or loss.

The Group's available-for-sale investments were disposed of during the current financial year resulting in the revaluation reserve becoming nil.

## 29. Earnings per share

Earnings per share	2016 Cents per share	2015 Cents per share
Basic earnings per share	66.98	87.80
Diluted earnings per share	66.47	87.16

Basic earnings per share	2016 \$'000	2015 \$'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings	13,288	16,959
	No. '000	No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,838	19,316

Diluted earnings per share	2016 \$'000	2015 \$'000
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings	13,288	16,959
	No. '000	No. '000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	19,991	19,457

There were no discontinued operations (2015: nil).

	2016 No. '000	2015 No. '000
The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	19,838	19,316
Shares deemed to be issued for no consideration in respect of employee share entitlements	153	141
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	19,991	19,457

There have been no changes in accounting policies that have had an impact on earnings per share.

### 30. Dividends

Fully paid ordinary shares	2016		2015	
	Cents per share	\$'000	Cents per share	\$'000
<b>Recognised amounts</b>				
Interim dividend: Fully franked (Prior year: Fully franked)	34	6,751	46	8,865
Final dividend: Fully franked (Prior year: Fully franked)	48	9,494	48	9,193
		<b>16,245</b>		<b>18,058</b>
<b>Unrecognised amounts</b>				
Final dividend: Fully franked (Prior year: Fully franked)	34	6,790	48	9,453

	2016 \$'000	2015 \$'000
Franking account balance at 1 July	5,267	7,624
Tax paid	7,135	5,348
Franking credits received	8	35
Franking credits attached to interim and final dividends	(6,962)	(7,740)
<b>Franking account balance at 30 June</b>	<b>5,448</b>	<b>5,267</b>
Franking credits that will arise from income tax payable at reporting date	224	2,333
Franking credits to be attached to dividends declared but not recognised	(2,910)	(4,051)
<b>Adjusted franking account balance</b>	<b>2,762</b>	<b>3,549</b>

### 31. Commitments for expenditure

#### Capital expenditure commitments

	2016 \$'000	2015 \$'000
<b>Intangible assets</b>		
Not longer than 1 year	16	31
<b>Plant and equipment</b>		
Not longer than 1 year	8	-

#### Operating lease commitments

The Group has operating leases relating to leases of office premises with lease terms of between 18 months and five years. Apart from the 18 month lease, the leases are subject to annual rent reviews.

The Group has a number of equipment leases with expiry dates occurring in 2017 to 2018. These leases have minimum monthly lease payments.

#### Non-cancellable operating lease payments

	2016 \$'000	2015 \$'000
Not longer than 1 year	1,569	1,285
Longer than 1 year and not longer than 5 years	334	567
	<b>1,903</b>	<b>1,852</b>

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2016 \$'000	2015 \$'000
<b>Lease incentives</b>		
Current	24	77
Non-current	14	37
	<b>38</b>	<b>114</b>

The Group has no onerous lease contracts.

There are no non-cancellable operating sub-leases (2015: no non-cancellable operating sub-leases).

### 32. Contingent liabilities and assets

The ATO is undertaking a review of the tax treatment of an acquisition in the 2011 financial year. The Group received tax advice in relation to the tax treatment and is of the opinion the tax treatment is correct. However, the ultimate outcome of the ATO review is not yet known.

There are a small number of historic Superannuation matters that relate to third party service providers. It is possible that the Group may need to make payments in relation to these in the 2017 financial year, but expects to fully recover these costs.

Apart from the above, there are no contingent liabilities (2015: nil).

There are no contingent assets (2015: nil).

### 33. Subsidiaries

Name of entity	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2016	2015
<b>Parent entity</b>				
EQT Holdings Limited	Holding company	Australia		
<b>Subsidiaries</b>				
Equity Trustees Limited	Financial services	Australia	100%	n/a
Equity Trustees Wealth Services Limited	Financial services	Australia	100%	100%
Equity Investment Management Limited	Superannuation administration	Australia	100%	100%
Equity Trustees Superannuation Limited	Superannuation trustee	Australia	100%	100%
EQT Aged Care Services Pty Ltd	Aged care services	Australia	100%	100%
<b>Non-trading subsidiaries</b>				
EQT Services Pty Ltd	Non-trading at 30/06/2016	Australia	100%	n/a
EQT Legal Services Pty Ltd	Non-trading at 30/06/2016	Australia	100%	n/a
Equity Nominees Limited	Non-trading	Australia	100%	100%
Equity Superannuation Management Pty Ltd	Non-trading	Australia	100%	100%
Equity Superannuation Administration Pty Ltd	Non-trading	Australia	100%	100%
Super.com Pty Ltd	Non-trading	Australia	100%	100%
Super.com.au Pty Limited	Non-trading	Australia	100%	100%
Holdfast Fund Services Pty Ltd	Non-trading	Australia	100%	100%
Apex Super Pty Ltd	Non-trading	Australia	100%	100%
Simple Wrap Pty Ltd	Non-trading	Australia	100%	100%

Effective 14 December 2015, EQT Holdings Limited became the parent company of Equity Trustees Limited under a Scheme of Arrangement and became the ultimate parent entity of the Group and the entity listed on the Australian Securities Exchange.

EQT Holdings Limited (2015: Equity Trustees Limited) is the head entity within the tax-consolidated group.

All the above subsidiaries are members of the tax-consolidated group.

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Holding company	Australia	1	-
Financial services	Australia	2	2
Superannuation administration	Australia	1	1
Superannuation trustee	Australia	1	1
Aged care services	Australia	1	1
Non-trading	Australia	10	8

#### Significant restrictions

The Company has no significant restrictions (2015: no significant restrictions).

### 34. Business combinations

#### Acquisition of businesses

No acquisitions.

#### Year ended 30 June 2015

Effective 4 July 2014, the Group acquired 100% of the shares of Equity Trustees Wealth Services Limited (ETWSL) (formerly ANZ Trustees Limited). ETWSL is a trustee company that has a strategic fit with the Group's existing trustee company business.

Consideration	2016 \$'000	2015 \$'000
Cash	-	156,009

Acquisition related costs incurred in the current year were nil (2015: \$32,000).

Assets acquired and liabilities assumed at the date of acquisition	2016 \$'000	2015 \$'000
<b>Current assets</b>		
Cash and cash equivalents	-	10,638
Other current assets	-	1,976
<b>Non-current assets</b>		
Intangible assets	-	51,752
Other financial assets	-	58
<b>Liabilities</b>		
Employee provisions	-	(942)
Provisions	-	(142)
	-	<b>63,340</b>

For the current financial year there were no trade receivables acquired or contractual cash flows not expected to be collected (2015: trade receivables acquired with a fair value of \$32,000 had gross contractual amounts of \$32,000 and the best estimate at acquisition date of the contractual cash flows not expected to be collected was nil).

Goodwill arising on acquisition	2016 \$'000	2015 \$'000
Consideration	-	156,009
Less fair value of identifiable net assets acquired	-	63,340
<b>Goodwill arising on consolidation</b>	<b>-</b>	<b>92,669</b>

For the current financial year there was no goodwill acquired (2015: goodwill arose in relation to the acquisition of the ETWSL business because the consideration paid effectively includes amounts in relation to the benefit of expected synergies, revenue growth including from the acquired Will Bank and future market developments).

Net cash outflow arising on acquisition	2016 \$'000	2015 \$'000
Consideration paid in cash	-	156,009
Less cash and cash equivalent balances acquired	-	10,638
	-	<b>145,371</b>

#### *Impact of acquisition on the results of the Group*

For the current financial year, the amount included in the profit after tax in relation to acquisitions is nil (2015: the amount included in the profit after tax for the year attributable to ETWSL entity is \$8,329,000, revenue for the year included \$24,388,000 in respect of ETWSL entity).

### 35. Segment information

Information reported to the Group's Executive Director (chief operating decision maker) for the purpose of resource allocation and assessment of performance is focused on the categories of services provided to customers. The principal categories of services are Trustee & Wealth Services and Corporate Trustee Services. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable segments under AASB 8 are as follows:

#### Trustee & Wealth Services

Provides a range of Private Client, Philanthropic and Superannuation services including estate planning and management; charitable, compensation, Indigenous and personal trust services; wealth management and aged care advice and placement.

#### Corporate Trustee Services

Provides a range of Responsible Entity (RE) and trustee services for managed investment trusts on behalf of local and international fund managers and sponsors, as well as specialised trustee services for corporates and structured multi-party transactions.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment. There were no discontinued operations (2015: nil).

Segment revenue	2016 \$'000	2015 \$'000
Trustee & Wealth Services	58,342	60,030
Corporate Trustee Services	24,117	23,705
	<b>82,459</b>	<b>83,735</b>
Unallocated	1,237	1,122
<b>Total revenue per statement of profit or loss</b>	<b>83,696</b>	<b>84,857</b>

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales (2015: nil).

No single customer accounts for 10% or more of the Group's revenue.

Segment net profit before tax	2016 \$'000	2015 \$'000
Trustee & Wealth Services	14,235	16,843
Corporate Trustee Services	11,266	10,210
	<b>25,501</b>	<b>27,053</b>
Unallocated	(6,588)	(2,895)
<b>Total net profit before tax per statement of profit or loss</b>	<b>18,913</b>	<b>24,158</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the contribution earned by each segment without the allocation of non-operating expenditure (including projects and acquisition related expenditure) or income tax. This is the measure used by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Revenue by product and service	2016 \$'000	2015 \$'000
Trustee & Wealth Services	58,342	60,030
Corporate Trustee Services	24,117	23,705
	<b>82,459</b>	<b>83,735</b>

### 35. Segment information (cont'd)

For the purpose of monitoring performance, the chief operating decision maker reviews balance sheet items for the Group as a whole. The Group's assets and liabilities are not allocated to the reportable segments for management reporting purposes.

#### Geographic segment

The Group operates only in Australia, which is treated as one geographic segment.

### 36. Related party disclosures

#### Parent entity

The parent entity of the Group is EQT Holdings Limited (2015: Equity Trustees Limited).

The ultimate Australian parent entity and ultimate parent entity is EQT Holdings Limited (2015: Equity Trustees Limited).

Effective 14 December 2015, EQT Holdings Limited became the parent company of Equity Trustees Limited under a Scheme of Arrangement and became the ultimate parent entity of the Group and the entity listed on the Australian Securities Exchange.

#### Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 33 to the financial statements.

The Company does not hold any interests in associates, joint ventures or other related parties.

#### Transactions with key management personnel

##### (a) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 10 to the financial statements and in the Directors' Report.

##### (b) Loans to key management personnel

The Group had nil key management personnel loans as at 30 June 2016 (2015: nil).

##### (c) Director and key management personnel equity holdings

Director and key management personnel relevant interests in fully paid ordinary shares of EQT Holdings Limited (2015: Equity Trustees Limited) are disclosed in the Directors' Report.

##### (d) Entitlements to shares of EQT Holdings Limited issued under the Executive Performance Share Plan 1999.

Details of entitlements to EQT Holdings Limited (2015: Equity Trustees Limited) shares issued under the *Executive Performance Share Plan 1999* are disclosed in the Directors' Report.

##### (e) Vested share awards

Details of vested share awards are disclosed in the Directors' Report.

### 36. Related party disclosures (cont'd)

#### (f) Other transactions with key management personnel

Some directors, key management personnel and their associates have investments in managed investment schemes for which a Group subsidiary acts as responsible entity. These investments are made at arms length and in the ordinary course of business. Some directors, key management personnel and their associates receive wealth management, superannuation and other financial services from the Group. These services are provided at arms length and in the ordinary course of business except the directors, key management personnel and their associates are entitled to receive the normal available staff discount or other customary discount available in relation to size of business.

During the year Ms Williams was a director of Victorian Funds Management Corporation (VFMC), Defence Health (DH) and Guild Group Holdings Limited (GGHL) which, on behalf of VFMC, DH and GGHL clients, invests in various managed investment schemes, some of which have a Group subsidiary as responsible entity. In her role as director of VFMC, DH and GGHL, Ms Williams was not actively involved in investment selections or the appointment of the Company as responsible entity to managed investment schemes in which VFMC, DH or GGHL invested.

Ms O'Donnell is a director and is on the Investment, Audit and Risk Committee of the Winston Churchill Memorial Trust, which invests in a managed investment scheme, which has a Group subsidiary as responsible entity. The investment in the managed investment scheme was undertaken before Ms O'Donnell became involved with the Trust. The Trust is advised by an independent investment manager. Ms O'Donnell does not participate in investment decisions relating to the managed investment scheme and was not actively involved in the appointment of the Company as responsible entity to the managed investment scheme.

There were no other related party transactions between the Group or the parent entity and key management personnel or their related entities apart from the above (2015: nil).

#### Transactions with subsidiaries

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

The Company had an interest free intercompany account with its subsidiary Equity Trustees Limited. The amount owed by the Company to this subsidiary at 30 June 2016 was \$4,682,000 (2015: nil). The Company did not have amounts owing to it or by it with any of its other subsidiaries at year end (2015: nil).

The Company and its controlled entities have entered into a tax sharing arrangement, as disclosed in note 3.11.

All transactions between the Company and its controlled entities took place on normal commercial terms and conditions.

#### Investments in managed investment schemes

As at 30 June 2015, the Group did not have any investments in managed investment schemes where a controlled entity acts as responsible entity (2015: there were investments in managed investment schemes where a controlled entity acted as responsible entity; these investments were on an arms length basis).

Apart from the above, there were no other transactions with related parties.

### 37. Notes to the cash flow statement

#### (a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	48,723	24,954

#### (b) Reconciliation of profit for the period to net cash flows from operating activities

	2016 \$'000	2015 \$'000
Profit for the period	13,288	16,959
Income tax expense recognised in profit or loss	5,625	7,199
(Profit)/loss on sale of investments	(238)	-
Depreciation and amortisation of non-current assets	2,155	1,795
Amortisation of management rights	1,313	1,345
(Profit)/loss on sale of plant and equipment	1,303	12
Equity-settled share-based payments	(133)	1,197
Interest income received and receivable	(884)	(869)
Dividends received and receivable	(115)	(253)
	<b>22,314</b>	<b>27,385</b>
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	(7,197)	(7,108)
(Increase)/decrease in other assets	6,629	(752)
Increase/(decrease) in trade and other payables	(675)	225
Increase/(decrease) in other provisions	(1,937)	904
<b>Cash generated from operations</b>	<b>19,134</b>	<b>20,654</b>
Income taxes paid	(7,135)	(5,348)
<b>Net cash generated by operating activities</b>	<b>11,999</b>	<b>15,306</b>

#### (c) Non-cash financing activities

Non-cash financing activities during the year were dividend reinvestments of \$3,067,000 (2015: \$6,108,000) and employee salary sacrifice share issues \$43,000 (2015: \$62,000).

### 38. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years (2015: nil).

## **39. Financial instruments**

### **(a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue on a going concern basis while balancing achieving shareholder returns with prudential management of resources, achieving its long-term strategy and meeting the financial requirements imposed by regulatory authorities and maintaining financial covenants required by lenders.

Entities in the Group hold Australian Financial Services Licences (AFSL) and Registrable Superannuation Entity (RSE) Licences. The licence holding entities are subject to regulatory financial requirements in relation to their AFSLs and RSEs. The Group is subject to financial covenants in relation to its borrowings. Apart from the foregoing, there are no other externally imposed capital requirements for the Group. The Group has met its regulatory financial requirements and debt covenants throughout the 2016 year, and the regulatory financial requirements that applied for the 2015 year were met throughout that year. There were no debt covenants or borrowings in the 2015 financial year.

For the 2016 financial year, ASIC provided relief in relation to the AFSL Net Tangible Assets (NTA) financial requirements to allow these NTA requirements for the AFSL holding entities to be met on a group basis, with a minimum group NTA of \$32m required. This relief applied for the period from 1 July 2015 until 31 December 2015 and again for the period 1 January 2016 to 30 June 2016. The relief ended on 30 June 2016 and the AFSL licenced entities are required to hold NTA requirements in accordance with the conditions applying under their individual AFSLs. The Group has ensured that each AFSL licenced entity has sufficient NTA to meet its individual NTA requirements from 1 July 2016, and these NTA requirements and other AFSL requirements are continuously monitored.

During the 2016 financial year, a holding company (EQT Holdings Limited) which does not hold any regulatory licences became the ultimate parent entity and the entity listed on the Australian Securities Exchange. This restructure has provided more efficient capital usage, licensing and business structures, and greater flexibility in relation to funding of the Group's activities. It has enabled the Group to take on a modest level of debt to assist in funding its regulatory capital requirements in the 2016 financial year.

From the 2016 financial year, the capital structure consists of equity (refer note 26) and a modest amount of debt (refer note 20). The introduction of a modest level of debt improves the cost efficiency of funding without significantly increasing financial risk. As at 30 June 2016, the gearing percentage (debt to equity) was 3.3% (2015 nil debt).

The Group's policy is to fund its normal activities from operating cash flows. Any substantial requirements such as a major business acquisition will be funded using a suitable mix of accumulated surplus operating cash flows, a modest level of debt, and equity funding raised through the issue of ordinary shares in the listed holding company, EQT Holdings Limited. This policy is regularly reviewed in light of the Group's long-term strategy, prudential management of resources, dividend policy, market conditions, changing regulatory requirements in relation to its AFSLs and RSE licence, and achieving shareholder returns.

### **(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial assets, financial liability and equity instrument are disclosed in note 3.

### 39. Financial instruments (cont'd)

#### (c) Categories of financial instruments

	2016 \$'000	2015 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	48,723	24,954
Loans and receivables – trade receivables	7,196	4,880
Loans and receivables – term deposits	-	5,150
Available-for-sale financial assets – cash/mortgage fund	-	8,057
Available-for-sale financial assets – managed investment scheme	-	2,436
	<b>55,919</b>	<b>45,477</b>
<b>Financial liabilities</b>		
Amortised at cost – trade payables	267	454
Amortised at cost – borrowings	8,000	-
	<b>8,267</b>	<b>454</b>

During the 2016 financial year there were no financial assets or liabilities designated as at fair value through profit or loss for either the Group or the Company (2015: nil). No financial assets have been pledged as collateral for either liabilities or contingent liabilities (2015: nil). No assets are held as collateral (2015: nil).

#### (d) Financial risk management objectives

The Group's main financial instrument risk exposures relate to market risk (including interest rate risk), credit risk, and liquidity risk. The Group manages financial instrument risk through a combination of executive management monitoring key financial risks and the use of management and Board committees that manage and monitor particular activities and their related financial risks. There is also the Board Risk Committee which monitors overall risk.

Both the executive management and committees report to the Board on a regular basis regarding their activities and the related financial risks. The committees include a Management Audit Risk and Compliance Committee (MARCC), Due Diligence Committee (DDC) and a Management Investment Committee (MIC). The MARCC reviews audit, risk and compliance issues across the business, with the other committees, DDC and MIC, having a more specialised focus. The DDC reviews new business proposals including the risks associated with the counter parties. The MIC responsibilities include reviewing and managing the Group's investment portfolio and its associated financial risks.

The liquidity position of the Group and Company are continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets is considered prior to the transaction being approved.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's investment policy is to hold financial instruments for the long-term to support capital and NTA requirements. The asset allocation of the portfolio is conservative and complies with AFSL requirements. The AFSL requirements include holding NTA 50% in cash or cash equivalents and 100% in liquid assets. The Group does not use hedging to manage its financial risks.

#### (e) Market risk management

The Group's primary exposure in relation to financial instruments is to interest rate risk. The exposure primarily arises in relation to the Group's investment portfolio (held to support NTA requirements) and borrowings. For the year ended 30 June 2016 and prior years, the Group had no exposure to foreign currency risk in relation to its financial instruments (2015: nil borrowings). The Group does not use derivatives to manage market risks, as executive management do not believe these risks currently warrant the use of derivatives due to their nature and relative low level of risk.

### 39. Financial instruments (cont'd)

The Group's market risks in relation to financial instruments are managed by executive management and MARCC. The MIC provides guidance regarding the management of the investment portfolio. There has been no significant change from the previous period to the Group's exposure to market risk or the manner in which these risks are managed and measured, except that the Group now has a modest level of borrowing and has put financial risk management processes in place for these borrowings.

#### (f) Interest rate risk management

The Group is exposed to interest rate risk in relation to its financial instruments as funds are invested at variable interest rates. The Group's borrowings are at fixed interest rates. The Group has a policy of placing interest bearing investments with Australian banks and other counterparties with strong credit ratings. This minimises the risk of default and also ensures regulatory requirements regarding liquidity of NTA reserves are met. Within these parameters the Group seeks to make interest bearing investments at the best available rates with Australian banks and other counterparties that meet its credit rating and security criteria. These investment processes and reviews are overseen by the MARCC and guided by the MIC.

#### Interest rate sensitivity analysis

A sensitivity analysis in relation to the Group's exposure to interest rate risk at the end of the financial year is set out below. Management has assessed the reasonably possible change in interest rates to be plus/minus 100 basis points for 2016 (2015: plus/minus 100 basis points) based on a review of market conditions. This assumes both long and short-term interest rates will have the same basis point movement.

The sensitivity analysis is calculated using the end of year balance of the financial instrument where this balance is representative of the balance throughout the year. If the end of year balance is not representative of the balance throughout the year, then the sensitivity analysis is calculated using the average balance (calculated on a quarterly basis) held throughout the year.

	Carrying amount at 30 June 2016	Interest rate risk			
		-1 %		+ 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	48,723	(333)	n/a	333	n/a
Amortised at cost – borrowings	(8,000)	25	n/a	(25)	n/a

	Carrying amount at 30 June 2015	Interest rate risk			
		-1 %		+ 1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	24,954	(166)	n/a	166	n/a
Loans and receivables – term deposits	5,150	(75)	n/a	75	n/a
Available-for-sale financial assets – mortgage fund	8,057	(55)	n/a	55	n/a
	<b>38,161</b>	<b>(296)</b>	<b>n/a</b>	<b>296</b>	<b>n/a</b>

### 39. Financial instruments (cont'd)

#### (g) Other price risk management

As at 30 June 2016, the Group had no exposure to other price risk (2015: other price risk exposure from its investment in an Australian managed investment scheme).

#### Price sensitivity analysis

A sensitivity analysis in relation to the Group's exposure to other price risk at the end of the financial year is set out below. There was no exposure at the end of the 2016 financial year (2015: Australian managed investment scheme plus/minus 10% and calculated using the average balance (calculated on a quarterly basis) held throughout the year).

	Carrying amount at 30 June 2015	Plus/minus impact	Other price risk			
			Minus impact		Plus impact	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2015</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Available-for-sale investments:</b>						
Managed investment schemes	2,436	10%	n/a	(244)	n/a	244

#### (h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group and the Company have adopted a policy of only dealing with credit-worthy counterparties as a means of mitigating the risk of financial loss from defaults. The main source of credit risk in relation to financial instruments is from outstanding accounts receivables, and deposits and fixed interest investments with banks and borrowings from banks (2015: outstanding accounts receivables, and deposits and fixed interest investments with banks and investments in managed investment schemes).

Executive management and, where applicable, the DDC reviews significant new clients before the take on of these clients is approved. The review process includes establishing the credit worthiness of the client. Other new clients are reviewed by business managers for credit worthiness as is appropriate to the size and nature of the client. The MARCC reviews and monitors the deposits and fixed interest investments with counterparties and borrowings from banks including any credit risk issues.

Accounts receivable consists of a large number of customers. Ongoing evaluation is performed on the financial condition of outstanding accounts receivables by the applicable business managers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics (2015: nil). The credit risk on liquid funds is limited because the Group holds its liquid funds with counterparties that have high credit ratings assigned by international credit-rating agencies and in managed investment schemes which have a low risk of default.

As at 30 June 2016, the Group no longer has investments in managed investment schemes where a subsidiary acts as responsible entity (2015: carrying value \$2,436,000).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's and Group's maximum exposure to credit risk without taking account of any collateral obtained.

### 39. Financial instruments (cont'd)

#### (i) Fair value of financial instruments

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

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship unobservable inputs to fair value
	2016 \$'000	2015 \$'000				
Managed investment schemes	-	2,436	Level 2	Daily published prices	n/a	n/a

There was no transfer between Level 1 and 2 (2015: nil). The Group classified the investment in the managed investment scheme as Level 2 in the fair value hierarchy on the basis that although there are quoted market prices, active markets with significant trading frequency and market volume did not exist.

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors' consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

#### (j) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have put in place a suitable risk management framework to manage the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities. The liquidity position of the Group is continuously monitored by executive management and the impact on liquidity of any significant transaction, such as payment of a dividend, acquisition of a new business, and purchase of capital assets, is considered prior to the transaction being approved.

The Group does not have any derivative financial instruments.

### 39. Financial instruments (cont'd)

#### Liquidity risk table

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

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
<b>2016</b>						
Non-interest bearing-trade creditors	nil	267	-	-	-	-
Borrowings	3.2%	-	-	8,000	-	-
Financial guarantee contracts	nil	-	-	-	-	-
		<b>267</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>-</b>
<b>2015</b>						
Non-interest bearing-trade creditors	nil	454	-	-	-	-
Financial guarantee contracts	nil	-	-	-	-	-
		<b>454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

At the year end it was not probable that the counterparty to the financial guarantee contracts will claim under the contracts. Consequently, the amount included above is nil (2015: nil). The maximum amount payable under these guarantees is \$1,910,000 (2015: \$1,903,000).

#### (k) Financing facilities

	2016 \$'000	2015 \$'000
<b>Bank draw down facility</b>		
Amount used	8,000	-
Amount unused	12,000	1,000
	<b>20,000</b>	<b>1,000</b>

#### 40. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. Refer to note 3 for a summary of the significant accounting policies relating to the Group, and note 3.1 for information regarding the comparative amounts.

Investments in subsidiaries are accounted for at cost. Dividends received from subsidiaries are recognised in profit or loss when its right to receive the dividend is established (and it is probable that the economic benefits will flow to the parent and the amount of income can be measured reliably).

Details regarding the tax-consolidated group and tax sharing arrangements are in note 3.11.

Financial position	2016 \$'000	2015 \$'000
<b>Assets</b>		
Current assets	7,008	34,208
Non-current assets	238,341	214,322
<b>Total assets</b>	<b>245,349</b>	<b>248,530</b>
<b>Liabilities</b>		
Current liabilities	8,224	8,471
Non-current liabilities	4,683	2,182
<b>Total liabilities</b>	<b>12,907</b>	<b>10,653</b>
<b>Net assets</b>	<b>232,442</b>	<b>237,877</b>
<b>Equity</b>		
Issued capital	231,780	227,652
Investment revaluation reserve	-	234
Other reserves	-	1,892
Retained earnings	662	8,099
<b>Total equity</b>	<b>232,442</b>	<b>237,877</b>

Financial performance	2016 \$'000	2015 \$'000
Profit for the year	7,413	21,113
Other comprehensive income	-	(51)
<b>Total comprehensive income</b>	<b>7,413</b>	<b>21,062</b>

#### Contingent liabilities of the parent entity

The parent entity is the head entity in the tax-consolidated group. As stated in note 32, the ATO is undertaking a review of the tax treatment of an acquisition in the 2011 financial year that resulted in a right to future income deduction. The Group has received tax advice that the tax deduction was allowable and is of the opinion the tax deduction has been correctly calculated and claimed. However, the ultimate outcome of the ATO review is not yet known.

Apart from the above, there are no contingent liabilities (2015: nil).

#### Commitments of the parent entity

The parent entity has no commitments for capital expenditure (2015: Equity Trustees Limited had a \$31,000 capital expenditure commitment for less than one year).

## INDEPENDENT AUDITOR'S REPORT



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### Independent Auditor's Report to the Members of EQT Holdings Limited

We have audited the accompanying financial report of EQT Holdings Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end as set out on pages 29 to 76.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of EQT Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

## Deloitte.

### *Opinion*

In our opinion:

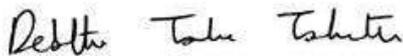
- (a) the financial report of EQT Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.1.

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

We have audited the Remuneration Report as set out on pages 16 to 26 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of EQT Holdings Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne 31 August 2016

## ADDITIONAL SHAREHOLDER INFORMATION

The following information was applicable as at 23 August 2016.

### Substantial shareholders

The substantial shareholders in the Company, as disclosed in substantial shareholding notices given to the Company are:

	Date of last notice	Shareholding	% of issued capital
Regal Funds Management Pty Limited	02/08/2016	1,222,199	6.12%
Commonwealth Bank of Australia	25/07/2016	1,165,992	5.84%
Australian Foundation Investment Company Limited	29/04/2016	1,303,232	6.53%
Bennelong Funds Management Group Pty Ltd	12/11/2015	1,218,155	6.14%

### Class of shares and voting rights

As at 23 August 2016, there were 2,703 holders of the ordinary shares of the Company.

The voting rights attaching to the ordinary shares are set out in clause 41 of the Company's constitution. In summary, on a show of hands, every member present in person or by attorney or by proxy or by representative shall have one vote. Where more than one proxy, representative or attorney is appointed, none may vote on a show of hands. Where a person is entitled to vote in more than one capacity, that person is entitled only to one vote.

Upon a poll, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member.

At 23 August 2016, there were share entitlements over 73,909 unissued ordinary shares. There were seven holders of share entitlements. There are no voting rights attached to the unissued ordinary shares.

### Distribution of shares

Size of holding	Holders of ordinary shares
1 – 1,000*	1,264
1,001 – 5,000	1,032
5,001 – 10,000	232
10,001 – 100,000	159
100,001 and over	16
	<b>2,703</b>

\*There were 73 shareholders holding less than a marketable parcel (\$500) of ordinary shares based on the closing market price of \$18.25 at 23 August 2016.

20 largest security holders as at 23 August 2016

20 largest shareholders	No. of shares	%
1. J P Morgan Nominees Australia Limited	2,217,040	11.10
2. HSBC Custody Nominees (Australia) Limited	1,804,796	9.04
3. Citicorp Nominees Pty Limited	1,614,031	8.08
4. Australian Foundation Investment Company Limited	1,303,232	6.53
5. National Nominees Limited	1,202,763	6.02
6. UBS Nominees Pty Ltd	900,785	4.51
7. RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	633,921	3.18
8. Milton Corporation Limited	500,697	2.51
9. Superdeck Pty Ltd <D K C & E Groves S/Fund A/C>	301,711	1.51
10. Mirrabooka Investments Limited	300,000	1.50
11. BKI Investment Company Limited	162,961	0.82
12. Equity Nominees Limited <No 2 Account>	143,840	0.72
13. Mr Leonard Clive Keyte	135,243	0.68
14. Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	121,271	0.61
15. CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	117,782	0.59
16. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	108,457	0.54
17. KJE Superannuation Pty Ltd <KJE Superannuation S/F A/C>	91,389	0.46
18. Margaret Crutch	80,882	0.41
19. Mr Peter John McCleave	71,710	0.36
20. BNP Paribas Noms Pty Ltd <DRP>	70,652	0.35
<b>Total top 20 holders of ordinary fully paid shares</b>	<b>11,883,163</b>	<b>59.52</b>
<b>Total remaining holders balance</b>	<b>8,081,718</b>	<b>40.48</b>

**Unquoted securities**

The share rights on issue were issued as part of an employee awards plan and are unquoted.

**Restricted securities**

There were no restricted securities as at 23 August 2016.

**On-market buy-back**

There is no current on-market buy-back.