

APPENDIX 4D

EQT Holdings Limited ABN 22 607 797 615

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

PERFORMANCE	31 DECEMBER 2019 \$'000		31 DECEMBER 2018 \$'000
Revenue from ordinary activities	48,882	up 5.6% from	46,302
Profit after tax from ordinary activities attributable to members	11,495	up 2.3% from	11,241
Net profit for the period attributable to members	11,495	up 2.3% from	11,241
Earnings per share attributable to members (cents per share)	55.78	up 1.2% from	55.13

DIVIDENDS	31 DECEMBER 2019		31 DECEMBER 2018
Interim Dividend (cents per share)	47	up 6.8% from	44
Franked percentage	100%		100%

KEY DATES	
Record date for determining entitlements to the Interim dividend	11 March 2020
Last date for the receipt of an election notice for participation in the DRP	12 March 2020
Payment date for Interim dividend	30 March 2020

The Directors have declared a fully franked Interim dividend of 47 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 five days of EQT share trading after the Record Date. A 1.25% discount will be applied.



ASX ADDITIONAL INFORMATION

Additional information, current as at 31 December 2019, and not shown elsewhere in this report, follows:

NET TANGIBLE ASSETS PER SHARE

NET TANGIBLE ASSETS PER SHARE ¹	31 DECEMBER 2019	31 DECEMBER 2018
Net tangible asset backing per share	\$2.83	\$2.30

¹Based on shares on issue at 31 December 2019 of 20,679,668 (31 December 2018: 20,440,699).

CONTROL GAINED OR LOST OVER ENTITIES DURING THE PERIOD

HALF-YEAR ENDED 31 DECEMBER 2019

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

HALF-YEAR ENDED 31 DECEMBER 2018

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

AUDIT

A review of the condensed consolidated half-year financial statements has been completed with an unqualified conclusion expressed by the Auditor. A copy of the review report is attached.

COMMENTARY

Additional Appendix 4D disclosure requirements can be found in the half-year Report, which contains the Directors' Report and the 31 December 2019 Financial Statements and accompanying notes.

For a comprehensive overview of the half-year results, please refer to the separate ASX release covering the Announcement of Results and Shareholder Presentation.

**CONSOLIDATED
FINANCIAL REPORT FOR
THE HALF-YEAR ENDED
31 DECEMBER 2019**

AUDITOR

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000

SHARE REGISTRY

Link Market Services
Level 12
680 George Street
Sydney NSW 2000
Telephone: (02) 8280 7100

REGISTERED OFFICE

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575 Bourke Street
Melbourne VIC 3000
Telephone: (03) 8623 5000
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Email: enquiry@eqt.com.au

CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement is available on our website: eqt.com.au

Mr Mick O'Brien, Managing Director, has authorised that this document be given to the ASX.

DIRECTORS' REPORT

The Directors of EQT Holdings Limited (the Company) present the financial report for EQT Holdings Limited and its subsidiaries (referred to herein as Equity Trustees, EQT, or the Group) for the half-year ended 31 December 2019, and the independent auditors' review report thereon.

The names of the Directors of the Company during or since the end of the half-year are:

- The Hon Jeffrey G Kennett AC, Chairman
- Alice J M Williams
- Anne M O'Donnell
- Kevin J Eley
- D Glenn Sedgwick
- James (Jim) R Minto
- Timothy (Tim) E D Hammon
- Catherine A Robson (appointed 15 February 2020)
- Michael (Mick) J O'Brien, Managing Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the half-year were:

- Estate planning, executorship and administration services
- Philanthropic services, including services for living donors and charitable trusts
- Compensation, community and personal trust services
- Trustee and responsible entity services
- Investment administration and custody services
- Superannuation trustee services

OPERATING AND FINANCIAL REVIEW OF THE GROUP

STRATEGY

Established in 1888, Equity Trustees aims to be Australia's leading independent specialist provider of Trustee services. The Group has acted in a trusted role for individuals, trusts and corporations for over 130 years.

The Group has two business units through which we offer our services to both retail and corporate clients:

- Trustee & Wealth Services (TWS) provides a range of Private Client, Philanthropic and Superannuation Trustee services including estate planning and management; charitable, compensation, community and personal trust services; wealth management and advice.
- Corporate Trustee Services (CTS) provides a range of global fiduciary services for managed investment funds on behalf of local and international fund managers and sponsors, as well as specialised Trustee services for corporates and structured multi-party transactions.

The Group’s vision is to be Australia’s leading trustee company, for individuals and families, and on behalf of fund managers, investors, and other stakeholders and a significant global player in fund governance services. The Group’s strategy is underpinned by four key targets, known as the T4, summarised as follows:



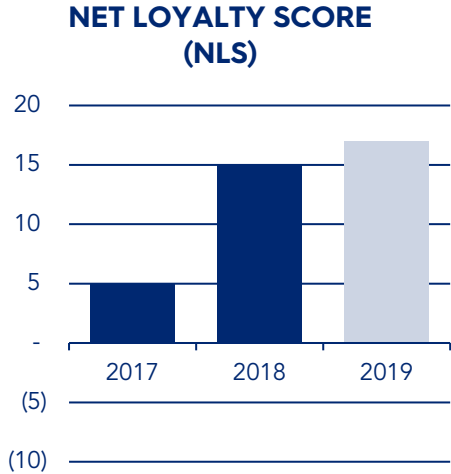
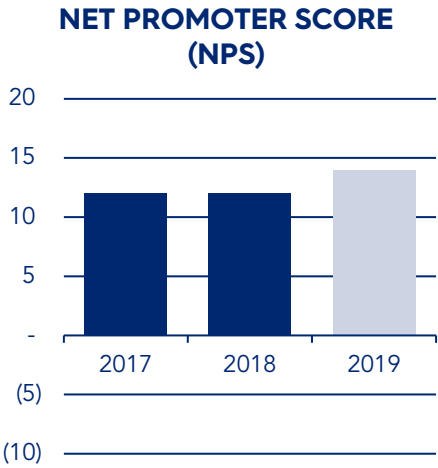
T1 IMPROVING CLIENT SATISFACTION

Measures

- Net promoter score (NPS) – The likelihood of clients recommending Equity Trustees
- Net loyalty score (NLS) – The likelihood of buying another product or service from Equity Trustees

Update as at 31 December 2019

The Group’s most recent client satisfaction survey was conducted in April 2019 and showed increases to both net promoter score (up to +14 from +12 as reported the previous year) and net loyalty score (up to +17 from +15 as reported the previous year). NPS and NLS scores are due to be remeasured again in April 2020.



Commentary

Our peer group for the purposes of client service measurement is the banking and financial services industry and we are very pleased to be highly regarded by our clients. Equity Trustees aspires to a leader amongst its peers with regards to client service, and in honouring our obligations as a trustee to beneficiaries, above all else.

Our staff are trained to treat clients and beneficiaries with empathy, respect and dignity, which positions them well to deal with the circumstances that our clients find themselves in.

Pleasingly, our NPS and NLS scores have shown a continued increase over the past three measurement periods.

Notwithstanding this, the Group has and will continue to invest in initiatives to further strengthen client satisfaction in the period ahead. Our action plan includes:

- Establishing a Client Satisfaction Steering Committee to oversee initiatives to further improve the client experience;
- Specialist training and development for front line staff; and
- Implementation of new client management technologies to assist staff in improving interactions with clients.

T2 LIFTING EMPLOYEE ENGAGEMENT

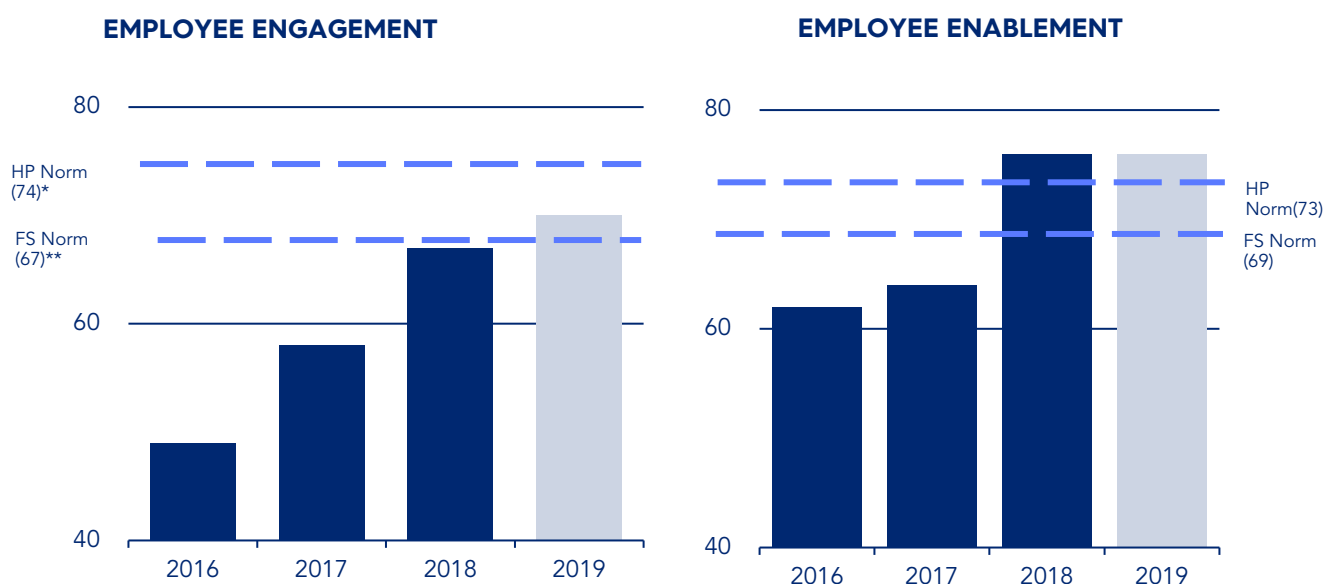
Measures

- Employee engagement – Commitment to the Group and employees' willingness to go the extra mile
- Employee enablement – Making good use of employees' skills and providing a working environment that enables them to be as productive as possible

Update as at 31 December 2019

Employee engagement has increased from 67% to 70%, and employee enablement has remained steady at 76. Scores were measured most recently in April 2019.

The Group's engagement and enablement scores both exceed industry norms.



*High Performing Norm
**Financial Services Norm

Commentary

T2 relates to employee engagement and is measured with reference to both employee engagement and enablement scores. The Group remeasures its' employee engagement and enablement at least once per year with support from an independent third party.

The Group appreciates that delivering a sustainable, outstanding level of client service requires committed, expert, empathetic people who are dedicated to delivering excellent outcomes for clients.

The Group considers our people to be a key asset of the Company and a differentiating characteristic to our competitors.

The Group continues to implement the employee-related initiatives it committed to following the last engagement survey in April 2019. These include:

- Providing all permanent employees with an individual learning and development budget – empowering our people to invest in their own professional growth
- A comprehensive employee wellbeing program, offering physical and mental health benefits to participants
- The constitution of an inaugural Gender Equality Focus Group, charged with implementing an action plan to improve gender equality in our organisation
- Changes to our parental leave arrangements to provide greater support to working parents
- Introduction of paid family and domestic violence leave
- Implementing a program to build greater collaboration, communication and innovation across the company

Feedback associated with these initiatives has been very positive and through the Employee Engagement Action Plan, the Group aspires to continue fostering an outstanding level of employee engagement.

T3 GROWING SHAREHOLDER VALUE

Measures

- Earnings per share
- Dividends
- Growth in funds under management, administration, advice, and supervision (FUMAS)

Update as at 31 December 2019

Refer to the *Group Financial Performance* section of this Directors' Report.

T4 DEEPENING COMMUNITY IMPACT

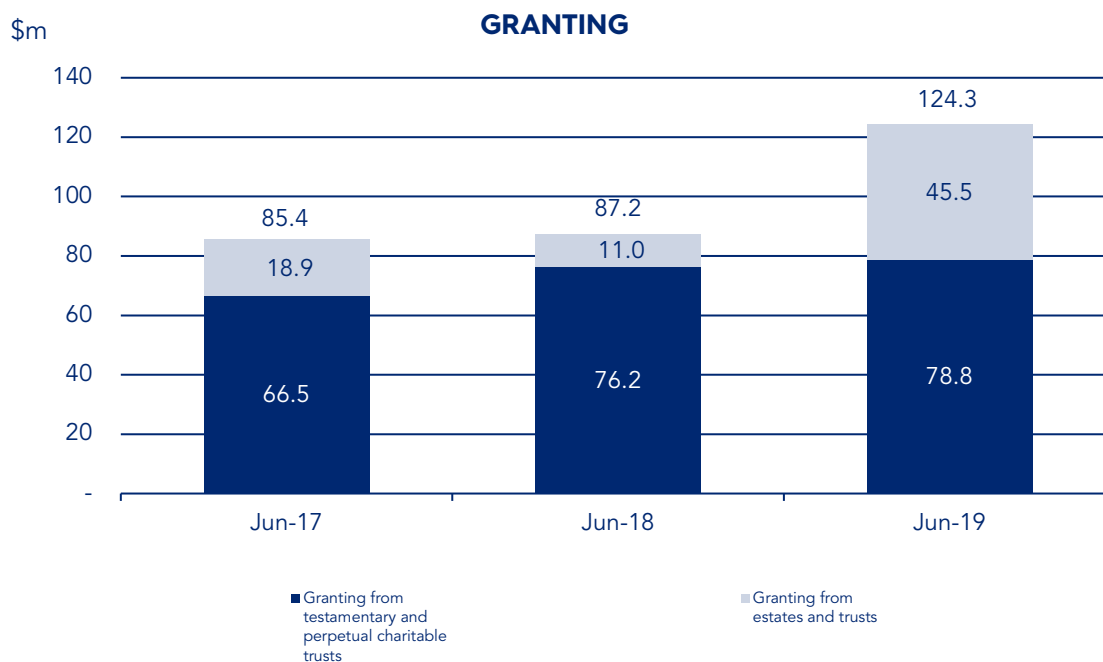
Measures

- Value of granting supported
- Employee volunteering, workplace giving, and other employee related community impact initiatives

Update as at 31 December 2019

For the 30 June 2019 financial year, the Group managed the granting of \$124m for charitable purposes. This represents a record level of granting for the Group and included \$45m of one-off grants from estates and trusts vesting. Granting activity managed by the Group will be remeasured at the end of the 30 June 2020 financial year.

During the half-year period the Group facilitated over 100 hours of volunteer leave, for staff to support various charitable causes. In addition, staff donated \$6,473 to the Equity Trustees Foundation via the workplace giving programme. All donations were subsequently matched by the Group.



Commentary

The T4 target relates to the Group’s activities in philanthropy and helping the community. The Group has a number of roles in relation to philanthropy, including:

- Acting as trustee or co-trustee for Perpetual Charitable Trusts and other charitable vehicles;
- Granting, fundraising and administration services to philanthropic individuals and organisations;
- Investment management of philanthropic trusts on behalf of not-for-profit organisations; and
- As a long-term funder of large scale social impact.

The Group is proud to support the philanthropic pursuits of our clients, including those who practice philanthropy through their lifetimes and those who have left lasting philanthropic legacies.

Some of the key initiatives undertaken during the past year to demonstrate how we are continuing to deepen our impact are:

- We completed our second Annual Giving Review, outlining our philanthropic giving in detail and explaining how our responsible stewardship of the funds adds value to the sector;
- The refinement of our Social Impact Measurement Framework which is now in its second year of development. Our collaboration with lead consultants, data experts and for-purpose organisations continue to refine the indicators of social change that we will be measuring our contribution towards. We will be focusing on the ‘Ageing’ area in the first instance;
- We continue to support the charitable pursuits of our employees by providing volunteer leave and matching all donations made through the Group workplace giving program; and
- We have expanded our reach in the important role as trustee for a number of community trusts that protect and grow the wealth of Indigenous communities.

Finally, we have established and launched two new Disaster Response Trusts following the recent bushfires, which will help assist the victims of the disaster through provision of support, with a particular emphasis on education, for children of emergency service volunteers who have lost their lives, and directly through funding the rebuilding of community assets in fire affected areas. The trusts will exist into perpetuity and have been established pro bono by Equity Trustees, in partnership with the Business Council of Australia.

GROUP FINANCIAL PERFORMANCE

Results and Dividends

FINANCIAL SUMMARY	HY20 \$'000	HY19 \$'000	HY20 V HY19 \$'000	HY20 V HY19 %
Revenue	48,882	46,302	2,580	5.6
Total expenses	32,712	30,120	(2,592)	8.6
Net Profit Before Tax (NPBT)	16,170	16,182	(12)	(0.1)
Net Profit After Tax (NPAT)	11,145	10,885	260	2.4
Loss attributable to non-controlling interest	(350)	(356)	6	1.7
NPAT attributable to equity holders of the Company	11,495	11,241	254	2.3
NPBT margin	33.1%	34.9%	-	(5.2)
VALUE CREATION MEASURES				
Earnings Per Share (EPS) (cents)	55.78	55.13	0.65	1.2
Dividends per share (cents) (Paid and proposed)	47	44	3	6.8
Return on equity using NPAT	8.5%	8.7%	-	(2.3)

Directors of Equity Trustees are pleased to report a Group profit before tax of \$16.2m for the half-year ended 31 December 2019. The result is consistent with that of the prior corresponding period (PCP), 31 December 2018, and largely reflects an increase in investment in people and technology to support growth opportunities that have been foreshadowed in the results presentation relating to the 30 June 2019 financial year end, as well as in commentary made at the Group's annual general meeting in October 2019.

Net profit after tax for the half-year is up \$260k, or 2.4% on the PCP, the uplift is driven by an improvement in the Group's effective tax rate, which is described in further detail below.

During the half-year, total revenue was \$48.9m, up 5.6% on the prior corresponding period. Revenue growth has been driven by organic growth in both Trustee Wealth Services and Corporate Trustee Services during the first half of the financial year, with a moderate contribution from investment markets, which have generally trended positively over the last six months.

Total expenses for the first six-months of the year were \$32.7m, up 8.6% on the prior corresponding period. Total expenses include both operating and non-operating expenses. While this represents an uplift on PCP, it relates to targeted investment in people for the Superannuation and Asset Management businesses and two additional independent Board members for the Board of the Group's superannuation trustee subsidiary, Equity Trustees Superannuation Limited. In addition, the Group has expanded its European footprint with the establishment of an office in Ireland to complement its existing presence in the United Kingdom and has increased its investment in technology to better support its activities. This additional investment has enhanced the Group's governance capabilities, particularly concerning superannuation, and leaves the superannuation business well placed to achieve its growth objectives over the longer term. The capability added to the Asset Management business improves the team's sector coverage, and in turn their ability to generate above market returns for clients. These and other initiatives are described in the *Business Unit Performance* sections below.

On a longer-term basis, expenses continue to be well managed, up 4.0% p.a. on a 3-year compounding basis to 31 December 2019, compared with revenue up 7.4% p.a. over the same period.

EBITDA and NPBT Margin

The Group's EBITDA margin, calculated as earnings before interest, tax, depreciation and amortisation, divided by total revenue, has declined slightly to 39.4% compared with 40.2% for the prior corresponding period, which is in part impacted by the adoption of AASB16 Leases.

Similarly, the group's net profit before tax margin has declined to 33.1%, from 34.9% at the same time last year.

Declines in both metrics are predominantly due to the aforementioned investment, the benefits of which are expected to be realised in future financial periods.

Reported Earnings

The reported earnings per share for the half-year period was 55.78 cents per share (half-year ended 31 December 2018: 55.13 cents per share), a 1.2% increase on the prior corresponding period.

The Group's effective tax rate has reduced (down 4.9%) on the prior corresponding period. This is attributable to a re-evaluation of the deductibility of losses associated with the Group's international operations (which first occurred at 30 June 2019), as well as the reversal of temporary differences associated with long term incentive issuances.

The weighted average shares on issue during the period of 20,607,819 (half-year ended 31 December 2018: 20,388,980), represents a 1.1% increase over the prior year. This increase arises from shares issued in relation to:

- participation under the dividend reinvestment plan (DRP) in relation to the 2018 interim and final dividends; and
- participation in employee share acquisition plans, share based remuneration and salary sacrifice share schemes.

Dividends

During the half-year period, a fully franked final dividend of 46 cents per share was paid to ordinary shareholders of the Company in respect of the financial year ended 30 June 2019.

Subsequent to 31 December 2019, the Directors have declared a fully franked interim dividend of 47 cents per share in respect of the first half of the financial year ending 30 June 2020 (first half of financial year 30 June 2019: 44 cents, fully franked). The 6.8% uplift in dividend compared to the prior corresponding period reflects continued underlying momentum of the business. The dividend payout ratio is 84% (31 December 2018:80%) and remains well within the Group's dividend policy payout range of 70% to 90%.

FINANCIAL POSITION

Net Assets and Net Tangible Assets

Overall, the Group's financial position has strengthened during the first six-months of the financial year. At 31 December 2019, net assets increased to \$268.0m, up 1.8% from \$263.3m at 30 June 2019. Net tangible asset backing per share has increased by 23.1% to \$2.83 from \$2.30 at 31 December 2018.

Borrowings

Borrowings have increased from \$12m at 30 June 2019 to \$19m at 31 December 2019. During the half-year the Group renewed its existing borrowing facilities for a further three years, and entered into an additional borrowing facility with a new lender. The new facility relates specifically to the Group's superannuation trustee activities, and has a term of 5 years, a facility limit of \$9m, and is fully drawn at 31 December 2019. The Group has access to undrawn capacity of \$30m as at 31 December 2019, which continues to provide financial flexibility, including for inorganic growth opportunities should they arise.

CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019	HY19 \$'000	HY18 \$'000
Cash from operating activities		
Receipts from customers	47,234	51,789
Payment to suppliers and employees	(37,536)	(35,895)
Operating cash flow before income tax	9,698	15,894
Income tax paid	(7,391)	(7,781)
Net cash from operating activities after income tax	2,307	8,113
Dividends paid to members of the Company	(7,058)	(6,606)
Net payments for assets and acquisitions	(623)	(247)
Proceeds from/(repayments of) borrowings	7,000	(4,000)
Payment of lease liabilities	(521)	-
Interest received	411	485
Other cash flows	1,308	(15)
Net increase/(decrease) in cash and cash equivalents	2,824	(2,270)
Cash and cash equivalents at the beginning of the half-year	54,434	60,651
Exchange fluctuations on foreign cash balances	40	15
Cash and cash equivalents at the end of the half-year	57,298	58,396

Cash Flow Analysis

Pre-tax operating cash flows are down approximately 39.0% on PCP. This is predominantly due to a \$5.9m uplift in receivables and accruals at 31 December 2019. This uplift is the result of ordinary fluctuations in collections over the operating cycle, and we expect pre-tax operating cash flows to return to normal levels at 30 June 2020.

Material non-operating cash outflows during the half-year were:

- \$7m increase in borrowings on PCP; and
- \$7.1m of dividend payments (net of DRP) to shareholders, up 6.8% on the prior corresponding period.

BUSINESS UNIT PERFORMANCE – CORPORATE TRUSTEE SERVICES (CTS)

Key products and services include:

Australia

- Responsible Entity Services for managed funds on behalf of local and international managers and sponsors.
- Corporate Trust services for structured products, loan arrangements, securitisations and escrow arrangements.

United Kingdom and Ireland

- Authorised Corporate Director (ACD) for UK-based Open-Ended Investment Companies (OEICs), and Management Company Services to Ireland-based Alternative Investment Funds (AIFs) and Undertakings in Collective Investment Transferrable Securities (UCITS) on behalf of local and international managers and sponsors.

Revenues for CTS are grouped together as a single category of services, named *trustee services*.

CTS PERFORMANCE AND KEY DRIVERS FINANCIAL PERFORMANCE	HY20 \$'000	HY19 \$'000	HY20 V HY19 \$'000	HY20 V HY19 %
Revenue	15,476	15,220	256	1.7%
Expenses	9,724	8,290	1,434	17.3%
Business unit net profit before tax	5,752	6,930	(1,178)	(17.0%)
Business unit profit margin (%)	37.2%	45.5%	-	(18.2%)

GROWTH IN KEY DRIVERS	HY20	HY19	HY20 V HY19	HY20 V HY19 %
Funds under supervision (FUS) (\$b)	89.8	63.1	26.7	42.3%
Funds Manager Clients				
No. Clients	145	137	8	5.8%
No. Funds	328	287	41	14.3%

CTS revenues have increased by 1.7% on the prior corresponding period. CTS revenues comprise a single category of services called trustee services. CTS offers trustee services in Australia, Ireland and the United Kingdom.

The growth in CTS revenue during the half-year is a function of a small number of fund closures in the second half of the 2019 financial year which have impacted the first half of 2020, offset by new fund commencements in the current financial year, as well as generally buoyant investment markets, supporting FUS growth. On an overall basis, CTS FUS is up considerably on PCP, in part due to its appointment as trustee to a number of Colonial Mutual Life Assurance Society (CMLA) funds, of approximately \$10.5b, plus a number of other new client and fund appointments. Despite the relatively modest revenue result, it is expected that this increased FUS will help create improved revenue momentum in the second half of the 2020 financial year.

CTS expenses have increased by \$1.4m, or 17.3% on the prior corresponding period. The majority of this uplift relates to the establishment of the Irish office, which occurred in the second half of the 2019 financial year. This expenditure was necessary for the Group to continue to build its overseas operations in a post-Brexit environment. The result also includes a number of one-off costs, some of which are associated with the consolidation of the Group's managed scheme activities into a single responsible entity, freeing up approximately \$3m of regulatory capital requirement.

CTS' corporate trust business has continued its strong performance over the past six months. During the period, the business was granted an Australian Credit License (ACL) by ASIC, facilitating a broadening of the product suite offered. The business' loan and wholesale debt market book has continued to grow, with several new transactions during the period. Additionally, the team closed and funded a key securitisation late in the period. The team is now active at securitisation conferences and forums and has received favourable coverage in industry press for their capabilities.

The CTS UK and European operations are now well established, and the UK and Irish teams have worked closely with one another to secure and on-board a number of new clients over the past six-months. These appointments have seen a significant uplift in the number of funds operated and the overall FUS. The pipeline of opportunity remains strong in the UK and Ireland and presents a substantial growth opportunity for the Group over the medium to long term. As at 31 December 2019, combined FUS for the UK and Irish operations was \$5.2b, up from \$318.2m at 31 December 2018.

Despite a softer result this half, the outlook for CTS remains positive with good organic client and fund number growth in the first half of the financial year, and a significant increase in funds under supervision overall. Investment markets continue to provide support and the pipeline of local and international opportunities remains strong, which is expected to translate into stronger revenue growth at the full year and in years ahead.

BUSINESS UNIT PERFORMANCE – TRUSTEE & WEALTH SERVICES (TWS)

Key products and services include:

- Superannuation trustee services to superannuation funds and members.
- Philanthropy services, including perpetual charitable trusts, living donors and investment management for not-for-profit organisations.
- Wealth and asset management advice and services.
- Estate planning advice and the management of deceased estates.
- Trustee administration and services including personal, compensation and indigenous trusts.

Revenues for TWS are grouped into the following categories of services:

- Private client trustee services.
- Superannuation trustee services.
- Other services.

Services within each category have been grouped as they have similar performance obligations, and the basis upon which revenues are measured is also similar.

TWS PERFORMANCE AND KEY DRIVERS FINANCIAL PERFORMANCE	HY20 \$'000	HY19 \$'000	HY20 V HY19 \$'000	HY20 V HY19 %
Private client trustee services revenue	22,356	20,795	1,561	7.5%
Superannuation trustee services revenue	6,906	6,643	263	4.0%
Other services revenue	3,499	3,132	367	11.7%
Total TWS revenue	32,761	30,570	2,191	7.2%
Expenses	22,874	21,702	1,172	5.4%
Business unit net profit before tax	9,887	8,868	1,019	11.5%
Business unit profit margin (%)	30.2%	29.0%	-	4.1%

GROWTH IN KEY DRIVERS	HY20	HY19	HY20 V HY19	HY20 V HY19 %
Funds under management, advice, administration and supervision (FUMAS) (\$b)	21.3	14.2	7.1	50.0%
Superannuation	12.3	6.5	5.8	89.2%
Philanthropy	2.2	1.9	0.3	15.8%
Asset Management	4.4	4.0	0.4	10.0%
Trusts & Estates	1.7	1.2	0.5	41.7%
Wealth Advice	0.7	0.6	0.1	16.7%

TWS revenues grew by 7.2% or \$2.2m on the prior corresponding period. This result is a function of:

- Strong performance in Private Client trustee services, with revenues up 7.5% on the prior corresponding period. This result is driven by strong growth in the trusts and philanthropy businesses, as well as above-market performance in the asset management business;
- Good revenue growth in superannuation trustee services of 4.0% on the prior corresponding period. The superannuation business secured a significant trustee appointment to the Colonial Mutual Life Assurance Society (CMLA) during October 2019 which has contributed to that business' growth with the addition of net \$3.9b worth of funds under supervision;
- Revenues from other services, which include estate management, estate planning and tax services have increased by \$0.4m, or 11.7% on the prior corresponding period. Most of this increase is attributable to revenues associated with estate management.

Over the same period, expenses have grown by \$1.2m or 5.4% on PCP. Most of this expense growth relates to investment in people in the superannuation and asset management businesses. Additions to the superannuation business enhance both the governance and front-line capability of the team, while additions to the asset management team have enabled the team to broaden their sector coverage, for the benefit of the Group's wealth management clients. These changes, and other drivers of expense growth, are described further in the Group Financial Performance section of this Directors' Report.

The outlook for TWS remains promising. Over the past six months, all TWS businesses saw increases to their FUMAS, with total TWS FUMAS increasing by 50%, to \$21.3b. While some of this increase is attributable to investment markets that have remained at strong levels, organic growth has been very pleasing.

On a longer-term basis, the fundamentals underpinning the TWS business remain strong. TWS Private Clients continues to benefit from an ageing demographic and increasing levels of intergenerational wealth transfer. Separately, TWS Superannuation is building a strong reputation as an independent trustee and continues to receive many positive enquiries from super funds seeking to understand the value an independent trustee can provide.

OUTLOOK

We continue to see opportunities across all areas of our business. Prospective clients are increasingly seeing the potential value of an independent, unconflicted, specialist trustee.

The significant investment the Group is making across most areas of the business is creating a strong foundation to enable us to take advantage of these opportunities.

In the outlook provided as part of the *2019 Annual Report*, we had advised that the *"opportunities that are now arising are increasingly larger scale, more complex and with longer lead times, but well suited to our specialist capabilities."* The arrangements with CMLA, which relate to both the CTS and TWS Superannuation businesses, result in a combined \$15b increase in FUS and represent a good example of these types of opportunities. Investments made ahead of the curve in resourcing and technology have increased our capacity to design solutions for, and work with large organisations on these types of opportunities.

While the full regulatory impact of the Royal Commission continues to evolve, the post-Commission environment has seen an increase in businesses reviewing their operating models. In some areas, this has resulted in divestment of non-core activities, and other areas, restructuring of industry players. These structural changes continue to provide Equity Trustees with opportunities to assert the value of the independent trustee model to the market, and increasingly, work with businesses to de-risk, add value to their propositions and allow all parties to serve their clients best.

The growth in government mandated superannuation along with the aging demographic and increasing uplift in intergenerational wealth transfer are expected to underpin business growth.

Equity Trustees has been undertaking trusteeship on behalf of its clients for over 130 years. We are clearly focused on investing appropriately for the future with our client's interests in mind and managing the business for the longer term.

The favourable environment, increasing interest in our specialist trustee capabilities and stronger foundation as a result of the investments we are making in the business, all contribute to an encouraging outlook for the year ahead and beyond.

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 Financial Statements are rounded off to the nearest thousand dollars unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 16 of the half-year report.

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

On behalf of the Directors

Mr Michael J O'Brien
Managing Director
Melbourne

26 February 2020

26 February 2020

The Board of Directors
EQT Holdings Limited
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 review of the condensed consolidated financial statements of EQT Holdings Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The Directors declare that:

- 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; and
- 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 consolidated entity.

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

On behalf of the Directors

Mr Michael J O'Brien
Managing Director
Melbourne

26 February 2020

EQT HOLDINGS LIMITED

ABN 22 607 797 615

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	31 DEC 19 \$'000	31 DEC 18 \$'000
Revenue and other income	2	48,882	46,302
Expenses	3	(29,625)	(27,704)
Finance costs		(492)	(423)
Depreciation and amortisation		(2,595)	(1,993)
Profit before income tax expense		16,170	16,182
Income tax expense	5	(5,025)	(5,297)
Profit for the period		11,145	10,885
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign exchange translation differences for foreign operations		37	59
Total comprehensive income for the period		11,182	10,944
Profit for the period attributable to:			
Equity holders of the Company		11,495	11,241
Non-controlling interests		(350)	(356)
Profit for the period		11,145	10,885
Total comprehensive income attributable to:			
Equity holders of the Company		11,579	11,300
Non-controlling interests		(397)	(356)
Total comprehensive income for the period		11,182	10,944
Earnings per share			
Basic (cents per share)		55.78	55.13
Diluted (cents per share)		55.41	54.81

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

EQT HOLDINGS LIMITED

ABN 22 607 797 615

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTE	31 DEC 19 \$'000	30 JUN 19 \$'000
Current assets			
Cash and cash equivalents		57,298	54,434
Trade and other receivables		16,832	11,719
Prepayments		2,648	1,753
Accrued income		9,955	8,586
Current tax receivable		790	-
Other financial assets	11	15,323	15,257
Total current assets		102,846	91,749
Non-current assets			
Trade and other receivables		288	108
Furniture, equipment, leasehold and right-of-use assets		14,150	6,725
Intangible assets		81,810	83,383
Goodwill	6	127,669	127,586
Total non-current assets		223,917	217,802
Total assets		326,763	309,551
Current liabilities			
Trade and other payables		2,117	1,661
Provisions		5,085	6,615
Other current liabilities		2,448	679
Current tax payable		-	1,856
Total current liabilities		9,650	10,811
Non-current liabilities			
Provisions		2,952	2,769
Borrowings	8	19,000	12,000
Other non-current liabilities		8,933	2,672
Deferred tax liabilities		18,181	18,007
Total non-current liabilities		49,066	35,448
Total liabilities		58,716	46,259
Net assets		268,047	263,292
Equity			
Issued capital	9	246,628	242,981
Reserves		2,633	2,907
Retained earnings		19,961	18,299
Equity attributable to owners of the Company		269,222	264,187
Non-controlling interest		(1,175)	(895)
Total equity		268,047	263,292

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

EQT HOLDINGS LIMITED

ABN 22 607 797 615

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	FULLY PAID ORDINARY SHARES \$'000	RETAINED EARNINGS \$'000	OTHER RESERVES \$'000	CURRENCY TRANSLATION \$'000	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY \$'000	NON- CONTROLLING INTEREST \$'000	TOTAL EQUITY \$'000
Balance as at 1 July 2018		238,633	14,102	1,533	114	254,382	(528)	253,854
Profit/(loss) for the period		-	11,241	-	-	11,241	(356)	10,885
Foreign exchange translation differences for foreign operations		-	-	-	59	59	-	59
Total comprehensive income for the period		-	11,241	-	59	11,300	(356)	10,944
Foreign exchange translation differences for foreign operations		-	-	-	-	-	5	5
Shares issued under employee salary sacrifice share plan		51	-	-	-	51	-	51
Shares issued under dividend reinvestment plan		1,943	-	-	-	1,943	-	1,943
Shares issued under employee share acquisition plan		203	-	(203)	-	-	-	-
Share issue costs		(15)	-	-	-	(15)	-	(15)
Related income tax		4	-	-	-	4	-	4
Provision for executive share entitlements		-	-	565	-	565	-	565
Provision for employee share acquisition plan		-	-	94	-	94	-	94
Payment of dividends		-	(8,549)	-	-	(8,549)	-	(8,549)
Balance as at 31 December 2018		240,819	16,794	1,989	173	259,775	(879)	258,896
Balance as at 1 July 2019 - As previously reported		242,981	18,299	2,717	190	264,187	(895)	263,292
Effect of change in accounting policy for initial application of AASB 16 Leases (post tax)	14	-	(188)	-	-	(188)	-	(188)
Balance as at 1 July 2019 - As restated		242,981	18,111	2,717	190	263,999	(895)	263,104
Profit/(loss) for the period		-	11,495	-	-	11,495	(350)	11,145
Foreign exchange translation differences for foreign operations		-	(90)	-	174	84	(47)	37
Total comprehensive income for the period		-	11,405	-	174	11,579	(397)	11,182
Foreign exchange translation differences for foreign operations		-	(80)	-	(37)	(117)	117	-
Shares issued under employee salary sacrifice share plan		59	-	-	-	59	-	59
Shares issued under dividend reinvestment plan		2,420	-	-	-	2,420	-	2,420
Shares issued under employee share acquisition plan		205	-	(205)	-	-	-	-
Shares issued under executive share scheme		979	-	(979)	-	-	-	-
Share issue costs		(22)	-	-	-	(22)	-	(22)
Related income tax		6	-	-	-	6	-	6
Provision for executive share entitlements		-	-	651	-	651	-	651
Provision for employee share acquisition plan		-	-	122	-	122	-	122
Payment of dividends		-	(9,475)	-	-	(9,475)	-	(9,475)
Balance as at 31 December 2019		246,628	19,961	2,306	327	269,222	(1,175)	268,047

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

EQT HOLDINGS LIMITED

ABN 22 607 797 615

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	31 DEC 19 \$'000	31 DEC 18 \$'000
Cash flows from operating activities			
Receipts from customers		47,234	51,789
Payments to suppliers and employees		(37,536)	(35,895)
Income tax paid		(7,391)	(7,781)
Net cash provided by operating activities		2,307	8,113
Cash flows from investing activities			
Interest and managed fund distributions received		411	485
Payment for furniture, equipment, leasehold and right-of-use assets		(327)	(184)
Payment for intangible assets		(296)	(63)
Net cash (used in)/provided by investing activities		(212)	238
Cash flows from financing activities			
Proceeds from issues of equity securities		1,330	-
Proceeds from/(repayment of) borrowings		7,000	(4,000)
Repayment of lease liabilities		(521)	-
Payment for share issue costs		(22)	(15)
Dividends paid to members of the parent entity (net of shares issued under the dividend reinvestment plan)		(7,058)	(6,606)
Net cash provided by/(used in) financing activities		729	(10,621)
Net increase/(decrease) in cash and cash equivalents		2,824	(2,270)
Cash and cash equivalents at the beginning of the half-year		54,434	60,651
Exchange rate fluctuations on foreign cash balances		40	15
Cash and cash equivalents at the end of the half-year		57,298	58,396

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

EQT HOLDINGS LIMITED

ABN 22 607 797 615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 in Australia, the United Kingdom and Ireland.

The Company's registered office and its principal place of business is Level 1, 575 Bourke St, Melbourne, Victoria 3000, Australia. EQT Holdings Limited and its subsidiaries are referred to as 'the Group' in the notes to the financial statements. The principal activities of the Group are described in note 4.

The financial statements were authorised for issue by the Directors on 26 February 2020.

1 BASIS OF PREPARATION

Statement of compliance

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

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at fair value. 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.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described in Note 14. These accounting policies comply with Australian Accounting Standards and the International Financial Reporting Standards.

EQT HOLDINGS LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

PERFORMANCE

2 REVENUE AND OTHER INCOME

	31 DEC 19 \$'000	31 DEC 18 \$'000
Revenue		
Private client trustee services	22,356	20,795
Superannuation trustee services	6,906	6,643
Corporate trustee services	15,476	15,220
Other services	3,499	3,132
Revenue from service activities	48,237	45,790
Interest and managed fund distributions	490	526
	48,727	46,316
Other income		
Recoveries	36	7
Foreign currency gain/(loss)	119	(21)
Total revenue and other income	48,882	46,302

ACCOUNTING POLICIES

Revenue is recognised on an accruals basis, as a service is transferred to a customer or a performance obligation is satisfied (if it is highly probable that a significant reversal is unlikely to occur), at the fair value of the consideration specified in the contract.

Revenue recognition for each of the Group's revenue streams is as follows:

REVENUE STREAM	INCLUDES	PERFORMANCE OBLIGATION	TIMING OF RECOGNITION
Private client trustee services	Traditional trustee services for philanthropy, testamentary, indigenous and compensation trusts, and investment mandates	Governance and oversight of trusts, portfolios, mandates and their related investments	Over time as the relevant services are provided. Revenues are determined with reference to funds under administration and supervision
Superannuation trustee services	Trustee services for superannuation funds	Governance and oversight of funds and their related investments	Over time as the relevant services are provided. Revenues are determined with reference to funds under management and supervision
Corporate trustee services	Responsible entity and corporate trustee services	Governance and oversight of registered and unregistered schemes and trusts	Over time as the relevant services are provided. Revenues are determined with reference to funds under supervision
Other services (this category includes all residual services that do not fall into one of the above categories)	Estate administration fees	Estate administration and distribution	Over time as the relevant services are provided. Revenues are determined with reference to funds under administration during the estate administration process
	Estate planning fees	Preparation of estate plans	On completion of the provision of the relevant service. Revenues are determined with respect to the complexity of client arrangements
	Tax fees	Preparation of tax returns	

EQT HOLDINGS LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3 EXPENSES

	31 DEC 19 \$'000	31 DEC 18 \$'000
Salaries and related employee expenses:		
Wages and salaries	19,195	17,791
Post employment benefits	1,394	1,296
Equity-settled share-based payments	832	710
Other employment related expenses	1,104	841
Administrative and general expenses:		
Loss on disposal of furniture, equipment and software	-	4
Other administrative and general expenses	2,324	2,139
Information technology expenses	2,354	1,971
Occupancy expenses:		
Lease payments	103	823
Outgoings and other occupancy expenses	388	295
Legal, consulting and regulatory expenses	946	830
Audit and tax advice expenses	538	664
Insurance expenses	447	340
Total expenses	29,625	27,704

4 SEGMENT PERFORMANCE

Information reported to the Group's Managing 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, as determined in accordance with AASB 8 *Operating Segment*, are as follows:

Trustee & Wealth Services (TWS)

Provides a range of private client, philanthropic and superannuation services including estate planning and management; charitable, compensation, community and personal trust services; wealth management and advice. TWS operates within Australia.

Corporate Trustee Services (CTS)

Provides a range of fund governance 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. CTS operates in Australia, the United Kingdom and Ireland. Due to their size relative to the Australian operations and their similar economic characteristics, the United Kingdom and Ireland operations are aggregated for the purposes of segment reporting.

EQT HOLDINGS LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment. These operating segments also constitute the major categories of services offered by the Group.

	31 DEC 19 \$'000	31 DEC 18 \$'000
Segment revenue		
Trustee & Wealth Services		
Private client trustee services	22,356	20,795
Superannuation trustee services	6,906	6,643
Other services	3,499	3,132
	32,761	30,570
Corporate Trustee Services		
Corporate trustee services - Australia	15,014	14,914
Corporate trustee services - United Kingdom/Ireland	462	306
	15,476	15,220
	48,237	45,790
Unallocated	645	512
Total revenue and other income per statement of profit or loss	48,882	46,302

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales (31 December 2018: nil).

There were no discontinued operations (31 December 2018: nil).

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

	31 DEC 19 \$'000	31 DEC 18 \$'000
Segment net profit/(loss) before tax		
Trustee & Wealth Services	9,887	8,868
Corporate Trustee Services		
Corporate trustee services - Australia	7,323	7,721
Corporate trustee services - United Kingdom/Ireland	(1,571)	(791)
	5,752	6,930
	15,639	15,798
Unallocated	531	384
Total net profit before tax per statement of profit or loss	16,170	16,182

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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.

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

5 INCOME TAXES

	31 DEC 19 \$'000	31 DEC 18 \$'000
Income tax expense comprises:		
Current income tax expense	5,443	5,773
Prior year tax adjustments recognised during the period	50	(5)
Deferred tax expense relating to the origination and reversal of temporary differences	(468)	(471)
Total income tax expense	5,025	5,297
The income tax expense for the year can be reconciled to accounting profit as follows:		
Profit before tax from continuing operations	16,170	16,182
Income tax expense calculated at 30%	4,850	4,855
Effect of different tax rates of subsidiaries operating in other jurisdictions	281	258
Non-deductible expenses	311	349
Non-assessable income	(467)	(160)
	4,975	5,302
Prior year tax adjustments	50	(5)
Total income tax expense	5,025	5,297

OPERATING ASSETS

6 GOODWILL

	31 DEC 19 \$'000	30 JUN 19 \$'000
Cost	127,669	127,586
	127,669	127,586
Opening balance as at 1 July	127,586	127,561
Effects of foreign currency exchange differences	83	25
	127,669	127,586

7 BUSINESS COMBINATIONS

Half year ended 31 December 2019

There were no business combinations during the period.

Half year ended 31 December 2018

There were no business combinations during the period.

EQT HOLDINGS LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CAPITAL STRUCTURE

8 BORROWINGS

	31 DEC 19 \$'000	30 JUN 19 \$'000
Unsecured, at amortised cost - Bank drawdown facilities		
Amount used	19,000	12,000
Amount unused	30,000	28,000
	49,000	40,000

During the half-year the Group renewed its existing borrowing facilities for a further three years, and entered into an additional borrowing facility with a new lender. The new facility relates specifically to the Group's superannuation trustee activities, and has a term of 5 years, a facility limit of \$9m, and is fully drawn at 31 December 2019.

Loans are drawn down as needed and the drawn tranches bear interest at variable market rates. The weighted average effective interest rate on the drawn down loans is 2.7% per annum (30 June 2019: 3.2%).

9 ISSUED CAPITAL

	31 DEC 19		30 JUN 19	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares				
Opening balance as at 1 July	20,522	242,981	20,344	238,633
Shares issued under employee salary sacrifice share plan	2	59	4	95
Shares issued under executive share scheme	68	979	-	-
Shares issued under employee share acquisition plan	7	205	9	203
Shares issued under dividend reinvestment plan (DRP)	81	2,420	165	4,070
Share issue costs net of tax	-	(16)	-	(20)
Closing balance as at 31 December	20,680	246,628	20,522	242,981

10 DIVIDENDS

FULLY PAID ORDINARY SHARES	DATE OF PAYMENT	CENTS PER SHARE	TOTAL \$'000
Recognised amounts			
Final 2019 dividend (fully franked)	8 October 2019	46	9,475
Interim 2019 dividend (fully franked)	28 March 2019	44	8,994
Unrecognised amounts			
Interim 2020 dividend (fully franked)	30 March 2020	47	9,720

EQT HOLDINGS LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

FINANCIAL RISK MANAGEMENT

11 FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets. The Group has no financial liabilities measured at fair value.

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 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

FINANCIAL ASSETS	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE
	31 DEC 19 \$'000	30 JUN 19 \$'000		
EQT Wholesale Mortgage Income Fund	8,000	8,000	Level 2	Daily published prices
Mutual (Cash) Common Fund M1	7,323	7,257	Level 2	Daily published prices

There are no significant unobservable inputs in relation to the fair value of EQT Wholesale Mortgage Income Fund and the Mutual (Cash) Common Fund M1 in the half-year (30 June 2019: same).

There were no transfers between levels in the fair value hierarchy at the end of the reporting period (30 June 2019: nil).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CONTINGENCIES AND SUBSEQUENT EVENTS

12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As disclosed in the 2019 Annual Report, the Australian Taxation Office (ATO) reviewed the tax treatment of an acquisition made by the Group in the 2011 financial year that gave rise to a right to future income deduction. At the time, the Group received tax advice that the tax deduction was allowable, and accordingly was, and remains of the opinion that the tax deduction has been correctly calculated and claimed.

Following their review of the tax treatment, the ATO issued amended income tax assessments to the Group in late September 2017 which disallowed the deduction previously claimed.

Upon receipt of the amended assessments, the Group initiated a formal objection process with the ATO. In February 2019, the Group also commenced a process to rectify one of the management agreements (the Agreement) that was in place between two of the acquired entities at the time that the acquisition occurred. The Group intends to commence proceedings in the Supreme Court of Victoria (the Supreme Court) seeking rectification. The outcome of these proceedings is uncertain and will be subject to normal Supreme Court process and waiting lists, and is therefore expected to take some time to resolve. The Group believes that rectification of the Agreement will add considerable weight to the Group's position in respect of the deductibility of the rights to future income amount.

The ATO has agreed to defer their final decision concerning the objection until the Supreme Court has ruled on the rectification.

Notwithstanding that the outcome of rectification and the ATO objection process remains unknown, there is a possibility the Group will be unsuccessful in defending its claim. Should this occur, the possible outflow is in the range of nil to \$3.0m. Although the objection process is underway, in accordance with legal requirements, the Group made a payment of 50% of the primary tax in dispute (\$783,570) then owing to the ATO in November 2017 on a without prejudice basis. The amount has been recognised as a current tax asset in the Statement of Financial Position as at 31 December 2019.

The Group continues to be of the view that this obligation will not ultimately be payable and therefore no other amounts are recognised in these financial statements in relation to this matter.

This matter was also disclosed as a contingent liability at 31 December 2018 and 30 June 2019.

Apart from the above, there are no other contingent liabilities (31 December 2018 and 30 June 2019: nil).

There are no contingent assets (31 December 2018 and 30 June 2019: nil).

13 SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the half 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 (31 December 2018: nil).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

OTHER DISCLOSURES

14 NEW AND AMENDED ACCOUNTING STANDARDS

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standard Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The Group elected to early adopt AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*, as disclosed in the 2019 Annual report. Any other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- Interpretation 23 *Uncertainty Over Income Tax Treatments* AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty Over Income Tax Treatments*

Impact of the application of AASB 16 *Leases*

In the current period, the Group has applied AASB 16 *Leases* for the first time.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Group's condensed consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the cumulative catch up approach under AASB 16.C5(b), and as such, there is no restatement of the comparative information.

Impact of the new definition of a lease

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the condensed consolidated statement of financial position, initially measured at the present value of future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the condensed consolidated statement of profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the condensed consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Whereas under AASB 117 *Leases* they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement in AASB 117 to recognise a provision for onerous lease contracts.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

For short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers, office furniture and printing equipment), the Group has opted to recognise the lease expense on a straight-line basis as permitted by AASB 16. Short-term lease expenses are included within lease payments in the profit or loss and leases of low value are included within IT expenses in the profit or loss (note 3).

Former finance leases

The main difference between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by the lessee to a lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group's condensed consolidated financial statements.

Financial impact of the initial application of AASB 16

The table below shows the amount of adjustment for each financial statement line affected by the application of AASB 16 at the date of initial application, 1 July 2019.

	BALANCE AT 1 JULY 2019 (PRE AASB 16)	RECOGNITION \$'000	DERECOGNITION \$'000	BALANCE AT 1 JULY 2019 (RESTATED)	\$'000
Assets					
Right-of-use assets - part of furniture, equipment, leasehold and right-of-use assets	-	7,746	-		7,746
Leasehold makegood - part of intangible assets	540	-	(540)		-
Liabilities					
Lease liability - part of other current liabilities	-	(1,239)	-		(1,239)
Lease liability - part of other non-current liabilities	(2,637)	(8,872)	2,637		(8,872)
Deferred tax liabilities	(18,007)	80	-		(17,927)
Equity					
Retained earnings	(18,299)	188	-		(18,111)

After adjusting related amounts previously recorded on the Group's condensed consolidated statement of financial position, this resulted in a reduction to retained earnings of \$188k (post tax).

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As permitted by AASB 16, the transition adjustment has been determined by the Group by electing practical expedients to not recognise short-term and low value leases on the Group's consolidated statement of financial position at the date of initial application. Judgment has been applied by the Group in determining the transition adjustment which includes the determination of which contractual arrangements represent a lease, the period over which a lease exists and the incremental borrowing rate.

The table below shows the restatement of the lease liability affected by the application of AASB 16 at the date of initial application.

	\$'000
Lease liability recognised as at 30 June 2019	2,637
Derecognition of lease liabilities recognised at 30 June 2019 (which arose from the straight-line method of accounting for leases previously adopted under AASB 117)	(2,637)
Operating lease commitments disclosed as at 30 June 2019	12,460
(Less): Lease incentive liability as at 30 June 2019	(1,323)
Add: Other adjustments	203
(Less): Short-term leases and leases of low-value assets not recognised under the new Accounting Standard (AASB 16)	(162)
(Less): Impact of discounting the future lease cash flows at the incremental borrowing rate of each lease (weighted average rate of 2.7%)	(1,067)
Lease liability recognised as at 1 July 2019	10,111

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ACCOUNTING POLICIES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers, office furniture and printing equipment). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable,
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date,
- The amount expected to be payable by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in the condensed consolidated statement of financial position in other current liabilities and other non-current liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within furniture, equipment, leasehold and right-of-use assets in the condensed consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Impact of the application of AASB 2017-6 **Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation**

The Group has adopted the amendments to AASB 9 *Financial Instruments* for the first time in the current year. The amendments clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The adoption of the AASB 2017-6 did not have an impact on the Group's condensed consolidated financial statements.

Impact of the application of AASB 2018-1 **Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle**

The Group has adopted the amendments included in AASB 2018-1 for the first time in the current year. The Standard include amendments to four Standards:

- **AASB 112 *Income Taxes*** – The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits
- **AASB 123 *Borrowing Costs*** – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings
- **AASB 3 *Business Combinations*** – The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation
- **AASB 11 *Joint Arrangements*** - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interest in the joint operation.

The application of AASB 2018-1 did not have an impact on the Group's condensed consolidated financial statements.

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Impact of the application of Interpretation 23 ***Uncertainty Over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty Over Income Tax Treatments***

The Group has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The application of Interpretation 23 did not have an impact on the Group's condensed consolidated financial statements.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of EQT Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2019, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 17 to 35.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of EQT Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

Melbourne, 26 February 2020

