

1. COMPANY DETAILS

| | |
|-------------------|---------------------------------|
| Name of entity: | Sequoia Financial Group Limited |
| ABN: | 90 091 744 884 |
| Reporting period: | For the year ended 30 June 2022 |
| Previous period: | For the year ended 30 June 2021 |

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | | \$ |
|---|----|-------|----|-------------|----|
| Revenues from ordinary activities | up | 26.5% | to | 147,312,720 | |
| Profit from ordinary activities after tax attributable to the owners of Sequoia Financial Group Limited | up | 3.0% | to | 5,714,296 | |
| Profit for the year attributable to the owners of Sequoia Financial Group Limited | up | 3.0% | to | 5,714,296 | |

Dividends

| Details of dividends ⁽¹⁾ | Cents per share | \$ |
|---|-----------------|--------------------------|
| 2021 Final dividend (paid 11 October 2021) ⁽²⁾ | 0.60 | 791,882 |
| 2022 Interim dividend (paid 15 March 2022) ⁽³⁾ | 0.50 | 662,121 |
| 2022 Final dividend declared ⁽⁴⁾ | 0.90 | 1,226,517 ⁽⁵⁾ |

(1) All dividends are fully franked

(2) 2021 Final dividend comprised of a cash dividend paid of \$636,101 and dividend reinvestment allotment of \$155,781

(3) 2022 Interim dividend comprised of a cash dividend paid of \$528,116 and dividend reinvestment allotment of \$134,005

(4) The record date for determining entitlement to the final dividend is 12 September 2022 and is to be paid on 10 October 2022. No dividend reinvestment plan is applicable

(5) Estimated total dollar value based on number of shares at 30 June 2022

Comments

The profit for the Group after providing for income tax amounted to \$5,714,296 (30 June 2021: \$5,548,262).

3. NET TANGIBLE ASSETS

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | 9.87 | 10.44 |
| Calculated as follows: | | |
| | Consolidated | |
| | 2022 \$ | 2021 \$ |
| Net assets | 48,375,290 | 41,117,459 |
| Less: Right-of-use assets | (1,700,335) | (2,130,577) |
| Less: Intangibles | (35,654,445) | (28,241,840) |
| Add: Lease liabilities | 2,436,915 | 2,979,338 |
| Total tangible assets | 13,457,425 | 13,724,380 |
| Total number of shares issued | 136,279,689 | 131,507,805 |

4. CONTROL GAINED OVER ENTITIES

| Name of entities (or group of entities) | Date control gained | Profit/(loss) from ordinary activities before income tax | |
|--|---------------------|--|-----------------------------|
| | | Contribution during period \$ | Whole previous period \$ |
| Argent Insurance Brokers Pty Ltd | 17 November 2021 | 454,444 | - |
| Docscentre Legal Pty Ltd | 10 January 2022 | (246,487) | 18,726 |
| Informed Investor Pty Ltd, Sharecafe Pty Ltd, Corporate Connect Research Pty Ltd (Informed Investor group) | 6 April 2022 | 95,736 | 313,342 |
| | | 303,693 | 332,068 |

5. LOSS OF CONTROL OVER ENTITIES

| Name of entities (or group of entities) | Date control lost | Profit/(loss) from ordinary activities before income tax | |
|---|-------------------|--|---|
| | | Contribution during period \$ | Previous period whilst controlled \$ |
| Centreboard Super Pty Ltd | July 2021 | - | (377,736) |

6. DIVIDENDS

Current period

| Details of dividends ⁽¹⁾ | Cents per share | \$ |
|---|-----------------|--------------------------|
| 2021 Final dividend (paid 11 October 2021) ⁽²⁾ | 0.60 | 791,882 |
| 2022 Interim dividend (paid 15 March 2022) ⁽³⁾ | 0.50 | 661,123 |
| 2022 Final dividend declared ⁽⁴⁾ | 0.90 | 1,226,517 ⁽⁵⁾ |

(1) All dividends are fully franked

(2) 2021 Final dividend comprised of a cash dividend paid of \$636,101 and dividend reinvestment allotment of \$155,781

(3) 2022 Interim dividend comprised of a cash dividend paid of \$528,116 and dividend reinvestment allotment of \$134,005

(4) The record date for determining entitlement to the final dividend is 12 September 2022 and is to be paid on 10 October 2022. No dividend reinvestment plan is applicable

(5) Estimated total dollar value based on number of shares at 30 June 2022

Previous period

| Details of dividends ⁽¹⁾ | Cents per share | \$ |
|---|-----------------|---------|
| 2020 Final dividend (paid 12 October 2020) ⁽²⁾ | 0.40 | 506,901 |
| 2021 Interim dividend (paid 15 March 2021) ⁽³⁾ | 0.40 | 520,097 |

(1) All dividends are fully franked

(2) 2020 Final dividend comprised of a cash dividend paid of \$316,579 and dividend reinvestment allotment of \$190,322

(3) 2021 Interim dividend comprised of a cash dividend paid of \$403,137 and dividend reinvestment allotment of \$116,960

7. DIVIDEND REINVESTMENT PLANS

On 4 May 2022, the Group announced the cancellation of the Dividend Reinvestment plan ('DRP') for the remainder of the 2022 calendar year. Prior to cancellation, shares allocated to shareholders under the DRP were allocated at an amount equal to 97.5% of the average of the daily weighted average market price of ordinary shares of the Company traded on the ASX over the period of five trading days prior to the closing date.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| Name of associate / joint venture | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|--|---------------------------------------|-----------------|--|-----------------|
| | Reporting period | Previous period | Reporting period | Previous period |
| | % | % | \$ | \$ |
| Taking Control Pty Ltd (joint venture) | 50.00% | 50.00% | - | - |
| Group's aggregate share of associates and joint venture entities' profit/(loss) (where material) | | | | |
| Profit/(loss) from ordinary activities before income tax | | | - | - |
| Income tax on operating activities | | | - | - |

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):


The financial statements have been audited and an unmodified opinion has been issued.

11. ATTACHMENTS

Details of attachments (if any):

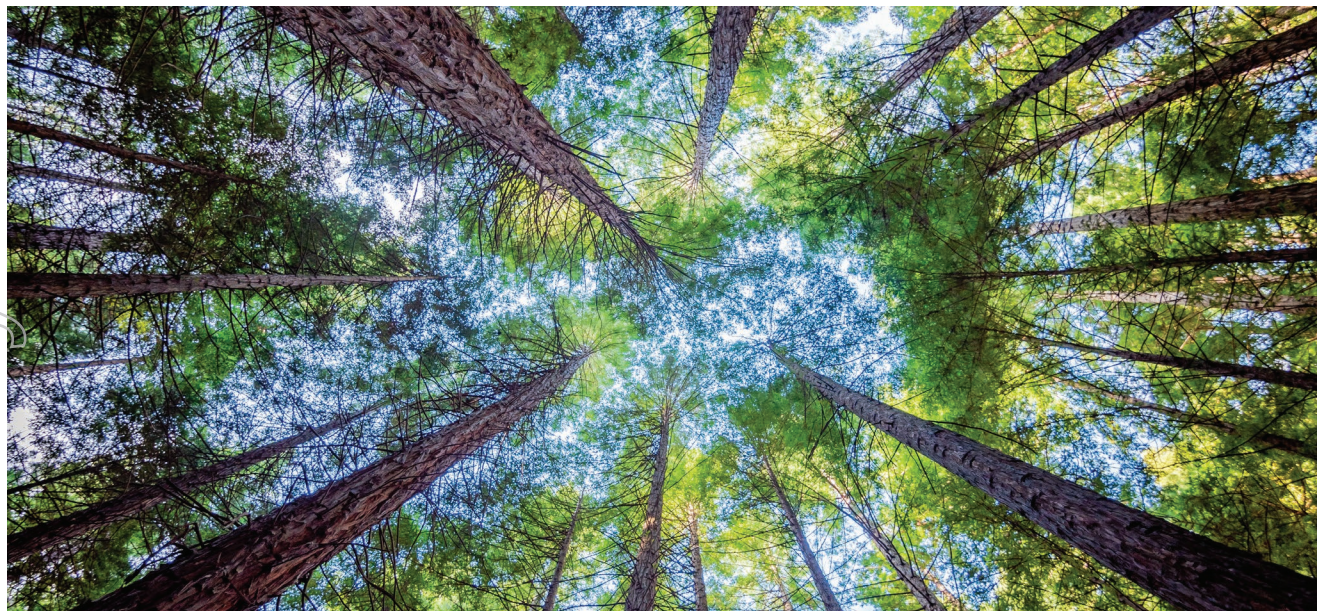
The Annual Report of Sequoia Financial Group Limited for the year ended 30 June 2022 is attached.

12. SIGNED

Signed _____

Date: 18 August 2022

John Larsen
Chairman
Sydney



Sequoia Financial
Group Limited

ABN 90 091 744 884

Annual Report

30 JUNE 2022

sequoia
FINANCIAL GROUP

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Dear Shareholders,

We are very pleased to report a strong financial performance and confirm that the group remains on track to achieve the long-term strategic target of \$300m in revenue at a 10% EBITDA key performance measurement by 2026.

The past year has seen the group achieve excellent growth in both revenue and operating cash flow, whilst continuing to implement a targeted capital management program. We have been investing both organically and by acquisition in those aspects of our group that broaden the diversified service offerings to the financial services market, using operating cash flow, to ensure we do not dilute shareholders equity.

We believe the revenue growth of 26.5% with operating net cash flow pre-tax growth of 36.2% is confirmation that our group is successfully driving the synergies from the targeted acquisition program that we initiated and implemented over the past three years.

Total operating expenses increased by \$3.2m to assist our revenue growth initiatives which included the hire of more personnel in the areas of sales, marketing, and legal services.

The Government COVID grants received in FY21 (\$320k), were no longer available in FY22 and this along with investing heavily in technological enhancements to improve the company's cyber security capability and our general customer service offering slightly impacted our short-term EBITDA margins.

We invested \$5.9m of the \$14.7m of operating net cash flow before tax to fund acquisitions. A mix of organic growth and bolt on acquisitions remains our core capital management strategy. Avoiding dilutionary capital raises by issuing large parcels of shares to fund acquisitional growth remains paramount in our thinking.

As we have mentioned in previous years' reports we remain focused on steadily increasing dividends, whilst continuing to use a large part of our profit to fund acquisitions. Aligned to this strategy we are pleased to report an increase in the dividend pay-out ratio to 33% in 2022, representing 1.4 cents of fully franked dividend, which is a 40% uplift from the 1.0 cent distributed in 2021.

Our intention is to increase the payout ratio from the 25% in 2021 to 33% in 2022, to 40% in 2023, 50% in 2024, 60% in 2025 towards a long-term target payout ratio of 70% post 2026, being the backend of our current long-term strategic plan. The company's current franking credit balance of \$12.9m ensures the company is well placed to deliver on this stated objective.

We currently have 136.3m shares on issue, which equates to 10.9 cents per share in cash on our balance sheet. At a share price of 60 cents per share the current enterprise value of \$67m is equivalent to 4.6 times operating net cash flow before tax, a discount to our market peers and in the opinion of Directors indicates the share price is undervalued. The share buy-back program has been successful to date. The number of shares buy-back and cancelled was 485,834.

The company intends to recommence this share buyback on 23 August 2022 after the blackout period ends and to maintain cancellation of the previous Dividend Reinvestment Plan ('DRP').

Shareholders (including the Directors) may elect to use the proceeds of their respective dividends to buy additional shares on market.

FY2022 Financial results

- Total revenue of \$147.3m, was an increase of \$30.85m or 26.5% on FY21
- Operating net cash flow pre-tax of \$14.7m was 36.2% over FY21
- Operating net cash flow pre-tax remained at or around 10% of total revenue
- Total operating expenses increased \$3.2m over last year
- EBITDA of \$12.4m was an increase of 7.3%
- EBITDA margin remained at 8.4% for the year
- NPAT of \$5.7m was a 3% increase over last year
- Cash conversion ratio to EBITDA of 119.4% compared to 94% in FY21
- Fully Diluted Earnings per share (EPS) of 4.23 cents
- Dividend payout ratio increased to 33% representing a 1.4 cents per share FY22 distribution and an increase of 40% on FY21
- Cash on balance sheet increased to \$14.9m from \$13.7m.
- Revenue growth of 75% from \$84m in 2020 to \$147m in 2022 over the first 3 years of 7-year target to reach \$300m in revenue

Divisional Financial Performance

All the Divisions achieved significant growth throughout FY22:

Sequoia Licensees Services (formerly Sequoia Wealth)

Sequoia Licensees Services revenue increased by 15.2% in FY22

| | |
|---------------|--------|
| Revenue | \$64m |
| EBITDA | \$5.5m |
| EBITDA margin | 8.6% |

Sequoia Professional Services

Sequoia Professional Services revenue increased by 55.8% in FY22

| | |
|---------------|--------|
| Revenue | \$11m |
| EBITDA | \$2.9m |
| EBITDA margin | 26.4% |

Sequoia Equity Markets

Sequoia Equity Markets revenue increased by 34.0% in FY22

| | |
|---------------|--------|
| Revenue | \$70m |
| EBITDA | \$6.3m |
| EBITDA margin | 9.0% |

Sequoia Direct Investment

Sequoia Direct Investment revenue increased by 37.7% in FY22

| | |
|---------------|---------|
| Revenue | \$2.6m |
| EBITDA | \$0.96m |
| EBITDA margin | 37.8% |

Outlook

The company is in a very strong position to move towards our longer-term revenue target of \$300m with more than 10% operating net cash flows pre-tax and EBITDA by 2026.

The margin in the Sequoia Professional Services and Sequoia Direct Investment Divisions is now above 25% and we expect to see very strong revenue growth in those Divisions in the years ahead. We are also looking to lift the margin within Sequoia Equity Markets and Sequoia Licensees Services to above 10% as these businesses evolve.

We thank our shareholders for their ongoing support and look forward to continuing to deliver strong results for all our shareholders in 2023.

Garry Crole
Managing Director/CEO

John Larsen
Chairman of the board

For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Sequoia Financial Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

The following persons were directors of Sequoia Financial Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|-----------------|---|
| Garry Crole | Managing Director and Chief Executive Officer |
| John Larsen | Non-Executive Director and Chairman |
| Kevin Pattison | Non-Executive Director |
| Charles Sweeney | Non-Executive Director |

PRINCIPAL ACTIVITIES

The Group's principal activity is to offer financial planners, stock brokers, self-directed investors, superannuation funds and accountants a range of services that include but is not limited to licensing services, business support and advice, coaching, compliance, education, wholesale clearing and execution, legal document establishments, investments, media and administration services.

There was no change in the principal activities during the financial year.

DIVIDENDS

| Details of dividends ⁽¹⁾ | Cents per share | \$ |
|---|-----------------|---------|
| 2021 Final dividend (paid 11 October 2021) ⁽²⁾ | 0.60 | 791,882 |
| 2022 Interim dividend (paid 15 March 2022) ⁽³⁾ | 0.50 | 662,121 |

(1) All dividends are fully franked

(2) 2021 Final dividend comprised of a cash dividend paid of \$636,101 and dividend reinvestment allotment of \$155,781

(3) 2022 Interim dividend comprised of a cash dividend paid of \$528,116 and dividend reinvestment allotment of \$134,005

REVIEW OF OPERATIONS

The profit for the Group after providing for income tax amounted to \$5,714,296 (30 June 2021: \$5,548,262).

Operating revenue from ordinary operating activities of the Group increased to \$147,312,720, up from \$116,462,659 in the corresponding year ended 30 June 2021 an increase of 26.5%.

Underlying Profitability

The directors are of the view that the best guide to the Group's performance is the Underlying Profit or normalised EBITDA which is defined as earnings before interest, tax, depreciation and amortisation ('EBITDA') excluding the impact of:

- Non-operational items (i.e. acquisition-related costs, redundancy costs, impairment charges, and fair value adjustments); and

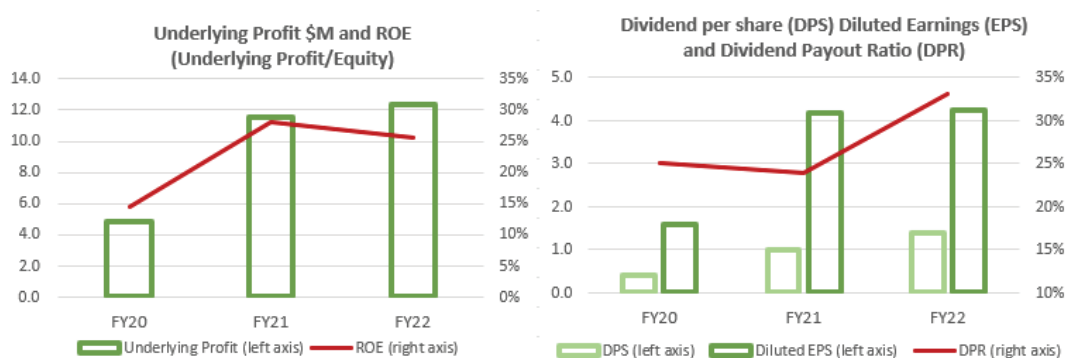
- Non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

The underlying profit over the financial year ended 30 June 2022 increased from \$11,516,560 to \$12,354,607.

This year, the Board revised the objectives and initiatives for the Group over a 7-year period to 2026:

- (1) To generate strong cash flow from all 4 operating divisions;
- (2) To provide a ROE* on non-cash equity of 15% or above;
- (3) To rebuild investor confidence in the Company's ability to generate ROE of 15%;
- (4) To have the share price trading at or above equity per share; and
- (5) To distribute shareholder dividend payments at 20-70% of Net Profit After Tax ('NPAT').

* Return on Equity ('ROE') is Underlying profit over Total equity.



The Company continues to make significant progress on each of the 5 key focuses. Operating revenue and Underlying Profit compared to the prior year are presented in the following table:

Financial Performance

| | 2022 \$ | 2021 \$ | Change \$ | Change % |
|--|-------------|-------------|--------------|-------------|
| Operating revenue from ordinary activities | 147,312,720 | 116,462,659 | 30,850,061 | 26.5% |
| Statutory net profit after income tax | 5,714,296 | 5,548,262 | 166,034 | 3.0% |
| Underlying Profit* | 12,354,607 | 11,516,560 | 838,047 | 7.3% |

* Underlying Profit is the measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. Underlying Profit is a financial measure that is not recognised under Australian Accounting Standards and may not be comparable to similarly titled measures used by other companies. Underlying Profit has been audited.

Normalised adjustments have been applied as set out in the following reconciliation between the Group's Underlying Profit and the statutory net profit for the current and prior years:

| | Consolidated | |
|---|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Underlying Profit for the year | 12,354,607 | 11,516,560 |
| Add/(deduct) normalisation adjustments: | | |
| Acquisition costs | (127,819) | (316,339) |
| Restructure costs | - | (67,738) |
| Share of profits of joint venture | - | 26,246 |
| Non-operating other income | - | 63,626 |
| EBITDA for the year | 12,226,788 | 11,222,355 |
| Add/(deduct): | | |
| Interest revenue calculated using the effective interest method | 17,001 | 15,631 |
| Depreciation and amortisation | (3,385,318) | (2,879,359) |
| Finance costs | (225,303) | (230,836) |
| Statutory net profit before income tax for the year | 8,633,168 | 8,127,791 |
| Income tax expense | (2,918,872) | (2,579,529) |
| Statutory net profit after income tax for the year | 5,714,296 | 5,548,262 |

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2021, the Group acquired a client book of Macro Investment Advisory Pty Ltd for consideration up to \$600,000 made up of cash and shares. This coincided with the launch of Sequoia Family Office, of which this client book is now a part of. This business targets high net worth investors with investable funds of \$5.0 million to \$100.0 million, who are looking for specialist services in managing their financial affairs. The target is to grow the funds under advice to \$2.0 billion over the next 5 years.

On 17 November 2021, the Group successfully completed the acquisition of all shares in Argent Insurance Brokers Pty Ltd (renamed to Sequoia Insurance Brokers Pty Ltd and which holds a general insurance AFSL), the customer books of Tag Insurance Brokers Pty Ltd and Windsor Funding Pty Ltd (which are related businesses to Argent Insurance Brokers) and its associated business assets. The acquisition consideration is estimated at \$2.5 million, payable in cash over a 15 month period and is contingent on achievement of performance targets. Refer to note 30 'Business combinations'.

On 10 January 2022, Sequoia Financial Group successfully completed the acquisition of all shares in the legal practice previously known as Topdocs Legal Pty Ltd, renamed to Docscentre Legal Pty Ltd, which is based in Melbourne. This acquisition will enhance the Group's existing document businesses. The consideration of \$330,000 was paid in cash.

On 6 April 2022, Sequoia Financial Group successfully completed the acquisition of all shares in the Informed Investor group of businesses, comprising of Informed Investor Pty Ltd, Corporate Connect Research Pty Ltd and Sharecafe Pty Ltd. The Informed Investor group provides media, research, digital distribution and technology services to advisers and investors. The acquisition consideration is approximately \$5.2 million and payable in cash and shares over a 12 month period. Refer to note 30 'Business combinations'.

There were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 18 August 2022, the Company declared a final dividend for the year ended 30 June 2022 of 0.90 cents per share, fully franked. The record date for determining entitlements to the dividend is 12 September 2022 and is to be paid on 10 October 2022. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial periods. Estimated total dollar value based on number of shares at 30 June 2022 is \$1,226,517. No Dividend Reinvestment Plan is applicable (refer note 20).

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group does not expect any major developments or variation to results if the Group continues to operate as normal. However major variations would occur if the Group undertook a key strategic initiative such as a material acquisition. Currently nothing of this nature is expected to take place in the foreseeable future but the Group remains open to look at opportunities in this space whenever they are presented.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Name: **Garry Peter Crole**

Title: Managing Director and Chief Executive Officer

Experience and expertise: Garry is a highly experienced and well-regarded Financial Services Executive. He founded Deakin Financial Planning, an ASX listed company that was later acquired by IOOF. In more recent years, Garry started Interprac Financial Planning Pty Ltd, which is a leading independently owned Australian Financial Services Licensee.

Other current directorships: None

Former directorships (last 3 years): Non-Executive Director of Diversa Ltd (ASX: DVA) and Non-Executive Director of Glennon Small Companies Limited (ASX: GC1)

Special responsibilities: Member of Risk and Compliance Committee, Audit Committee and Remuneration and Nomination Committee

Interests in shares: 11,048,637 ordinary shares (directly held) and 1,035,035 ordinary shares (indirectly held)

Interests in options: 500,000 options over ordinary shares

Interests in rights: None



Name: **John Larsen**

Title: Non-Executive Director and Chairman

Experience and expertise: John brings in excess of 30 years' experience in financial services to the Company, including senior management positions and directorships across various businesses licensed to provide financial services including funds management and stock broking. John has significant experience in the management of private portfolios and individually managed accounts. He was also the Chairman of Odyssey Funds Management between 2002 and 2009, part of the investment committee responsible for ASX listed, Huntley Investment Company Limited, between 2006 and 2008 and previously held the position of Group Investment Manager at ING (then Mercantile Mutual Group) retaining responsibility for the entire Australian investments portfolio with over \$500 million of funds under management.

Other current directorships: Non-Executive Director of Glennon Small Companies Limited (ASX: GC1)

Former directorships (last 3 years): None

Special responsibilities: Chair of Audit Committee and member of Remuneration and Nomination Committee

Interests in shares: 105,438 ordinary shares (directly held) and 2,105,541 ordinary shares (indirectly held)

Interests in options: 500,000 options over ordinary shares

Interests in rights: None



Name: **Kevin Pattison**

Title: Non-Executive Director

Experience and expertise: Kevin has over 40 years' experience in financial services, specialising in distribution, strategic planning and business remediation. He has been a Non-Executive Director for the past 4 years on private companies and prior to that he was the CEO of various large national businesses in the financial services sector. He is currently the Chairman of Master Builders Insurance Brokers.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee and member of Risk and Compliance Committee

Interests in shares: 794,869 ordinary shares (indirectly held)

Interests in options: 250,000 options over ordinary shares

Interests in rights: None



Name: **Charles Sweeney**

Title: Non-Executive Director

Qualifications: B.Comm, LL.B (Melb), Partner of Cooper Grace Ward Lawyers

Experience and expertise: Charles is a partner in Cooper Grace Ward's corporate and commercial group. Charles provides wide-ranging general commercial advice to clients, with particular areas of focus including corporate advisory and intellectual property / information technology. Acting for listed and unlisted public and private clients, Charles advises across a broad range of industries, including agribusiness, financial services, technology and mining. Charles has served as a non-executive director of an ASX listed company (including during its ASX listing) and has practical experience of the issues faced by boards in relation to corporate governance, dealings with regulators (especially ASX and ASIC), major transactions and capital raisings. Charles is also a regular presenter on such topics.



Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Risk and Compliance Committee and member of Audit Committee

Interests in shares: 561,490 ordinary shares (indirectly held)

Interests in options: 250,000 options over ordinary shares

Interests in rights: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARIES

The joint Company secretaries are as follows:

Rebecca Weir, Bachelor of Laws (LLB) - Joint Company Secretary, appointed 9 October 2020

Rebecca is an employee of Boardroom Pty Ltd, the Company's Corporate Secretarial Services provider. Rebecca is an associate member of the Governance Institute of Australia and an affiliate member of the Chartered Governance Institute. Rebecca holds a Bachelor of Laws (LLB) with Forensic Science and has completed the Graduate Diploma in Applied Corporate Governance and Risk Management.

Lizzie Tan, B.Economics (Accounting), CPA and Fellow member of FINSIA - Joint Company Secretary, appointed 28 April 2022

Lizzie has been the Company's Chief Financial Officer since 23 April 2020. Lizzie is an experienced finance, audit, risk and corporate transactional executive who has held senior Finance and Audit roles with ANZ, AXA, Legg Mason Australia and Deloitte.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|------------|-------------------------------|------|---------------------------------------|------|
| | Attended | Held | Attended | Held |
| G Crole | 6 | 6 | 3 | 3 |
| J Larsen | 6 | 6 | 3 | 3 |
| K Pattison | 6 | 6 | - | - |
| C Sweeney | 6 | 6 | 3 | 3 |
| | Risk and Compliance Committee | | Remuneration and Nomination Committee | |
| | Attended | Held | Attended | Held |
| G Crole | 3 | 3 | 3 | 3 |
| J Larsen | - | - | 3 | 3 |
| K Pattison | 3 | 3 | 3 | 3 |
| C Sweeney | 3 | 3 | - | - |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report contains the following sections:

- (a) Key management personnel covered in this report
- (b) Executive reward framework
- (c) Remuneration and nomination committee
- (d) Non-executive directors arrangement
- (e) Elements of remuneration
- (f) Use of remuneration consultants
- (g) Voting and comments made at the Company's 2021 Annual General Meeting (AGM)
- (h) Details of key management personnel remuneration
- (i) Service agreements
- (j) Share-based compensation
- (k) Additional disclosures relating to key management personnel

(a) Key management personnel covered in this report

The key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors.

The key management personnel of the Group during the financial year are as follows:

- Garry Crole - Managing Director and Chief Executive Officer
- John Larsen - Chairman and Non-Executive Director
- Kevin Pattison - Non-Executive Director
- Charles Sweeney - Non-Executive Director

Other key management personnel:

- Lizzie Tan – Chief Financial Officer and Joint Company Secretary

(b) Executive reward framework

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

(c) Remuneration and Nomination Committee

The Board of Directors, through its Remuneration and Nomination Committee, accepts responsibility for determining and reviewing remuneration arrangements for the directors and the senior management team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

(d) Non-executive directors arrangement

Fees and payments to non-executive directors reflect the demands which are made of the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The constitution of the Company provides that the non-executive directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The most recent determination was at the Annual General Meeting held on 19 November 2020 where the shareholders approved an aggregate remuneration of \$300,000.

(e) Elements of remuneration

Executive remuneration comprises:

- Fixed remuneration component;
- Variable remuneration component including short-term incentive ('STI')
- Variable remuneration including long-term incentive ('LTI'); and
- An Employee Share Option Plan that was approved at a meeting of shareholders on the 27 November 2015 (LTI).

Fixed remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation. Remuneration levels are reviewed annually through a process that considers individual performance and that of the overall Group.

Variable remuneration – short-term incentive ('STI')

STIs are available to executives who achieve performance criteria including compliance. The Board is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements.

Variable remuneration – long-term incentive ('LTI')

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

Sequoia Employee Incentive Plan ('SEIP')

On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan to offer options and performance rights to certain employees employed in the Company.

(f) Use of remuneration consultants

During the financial year ended 30 June 2022, the Group did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations.

(g) Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 18 November 2021 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

(h) Details of key management personnel remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

| | Short-term benefits | | | | Post-employment benefits | Share-based payments | |
|--|-------------------------|------------------|--------------------|-----------------------------------|--------------------------|----------------------|-----------|
| 2022 | Cash salary and fees \$ | Cash Bonus ** \$ | Directors' fees \$ | Movement in leave entitlements \$ | Super-annuation \$ | Options *** \$ | Total \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| J Larsen | 90,909 | - | - | - | 9,133 | 38,049 | 138,091 |
| K Pattison | - | - | 65,000 | - | - | 19,025 | 84,025 |
| C Sweeney | - | - | 65,000 | - | - | 19,025 | 84,025 |
| <i>Executive Directors:</i> | | | | | | | |
| G Crole* | 462,026 | - | - | (13,088) | 23,568 | 38,049 | 510,555 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| L Tan | 251,829 | - | - | 11,103 | 23,568 | 35,564 | 322,064 |
| | 804,764 | - | 130,000 | (1,985) | 56,269 | 149,712 | 1,138,760 |

* Cash salary and fees include expense reimbursement of \$850 and annual leave cash out of \$48,184.

** No cash bonus paid/payable during the year.

*** Directors options have vesting completion dates 1 January 2022 and 1 January 2024. Other key management personnel options have vesting completion dates of 15 July 2021, 1 January 2022, 30 June 2022 and 1 January 2023.

| | Short-term benefits | | | | Post-employment benefits | Share-based payments | |
|--|-------------------------|---------------|--------------------|-----------------------------------|--------------------------|----------------------|-----------|
| 2021 | Cash salary and fees \$ | Cash bonus \$ | Directors' fees \$ | Movement in leave entitlements \$ | Super-annuation \$ | Options \$ | Total \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| J Larsen | 89,709 | - | - | - | 8,522 | 47,769 | 146,000 |
| K Pattison | - | - | 63,967 | - | - | 23,884 | 87,851 |
| C Sweeney | - | - | 64,167 | - | - | 23,884 | 88,051 |
| <i>Executive Directors:</i> | | | | | | | |
| G Crole* | 378,247 | 60,000 | - | 25,014 | 21,694 | 47,769 | 532,724 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| L Tan | 219,178 | 40,000 | - | 14,910 | 20,822 | 35,885 | 330,795 |
| | 687,134 | 100,000 | 128,134 | 39,924 | 51,038 | 179,191 | 1,185,421 |

* Cash salary and fees include expense payment of \$4,547.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|------|---------------|------|---------------|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <i>Non-Executive Directors:</i> | | | | | | |
| J Larsen | 73% | 67% | - | - | 27% | 33% |
| K Pattison | 77% | 73% | - | - | 23% | 27% |
| C Sweeney | 77% | 73% | - | - | 23% | 27% |
| <i>Executive Directors:</i> | | | | | | |
| G Crole | 93% | 80% | - | 11% | 7% | 9% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| L Tan | 89% | 77% | - | 12% | 11% | 11% |

(i) Service agreements

Where contracts have been established, employment terms and conditions of key management personnel and Group executives are formalised in standard contracts of employment. All contracts are for no fixed term with one to three months' notice required for termination by either party.

(j) Share-based compensation

Issue of options and performance rights

During prior years, options were granted to the directors and other key management personnel of the Company as part of their compensation. The number of options over ordinary shares in the Company held during the financial year by each director and the other member of the key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|----------------------------------|---------|-------------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| G Crole* | 1,000,000 | - | - | (500,000) | 500,000 |
| J Larsen | 1,000,000 | - | (500,000) | - | 500,000 |
| K Pattison | 500,000 | - | (250,000) | - | 250,000 |
| C Sweeney | 500,000 | - | (250,000) | - | 250,000 |
| L Tan | 500,000 | - | (250,000) | - | 250,000 |
| | 3,500,000 | - | (1,250,000) | (500,000) | 1,750,000 |

* 500,000 options lapsed on 1 July 2022

(k) Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and the other member of the key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received on exercise of options | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|---------------------------------|-----------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| G Crole* | 11,991,973 | - | 91,699 | - | 12,083,672 |
| J Larsen* | 1,584,320 | 500,000 | 126,659 | - | 2,210,979 |
| K Pattison* | 542,166 | 250,000 | 2,703 | - | 794,869 |
| C Sweeney* | 306,336 | 250,000 | 5,154 | - | 561,490 |
| L Tan* | 52,969 | 250,000 | 892 | - | 303,861 |
| | 14,477,764 | 1,250,000 | 227,107 | - | 15,954,871 |

* Shares acquired via on-market trade or dividend re-investment plan.

Transactions with key management personnel and their related parties

During the financial year, \$122,580 was paid or payable for services provided by Cooper Grace Ward, a related party entity of director, Charles Sweeney. This is not deemed personal remuneration.

This concludes the remuneration report, which has been audited.



Shares under option

Unissued ordinary shares of Sequoia Financial Group Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|-------------------------|--------------|----------------|---------------------|
| 19 November 2020 Type 2 | 30 June 2024 | \$0.450 | 1,500,000 |
| 18 January 2021 Type 2 | 30 June 2024 | \$0.450 | 500,000 |
| | | | <u>2,000,000</u> |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

There were no unissued ordinary shares of Sequoia Financial Group Limited under performance rights outstanding at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Sequoia Financial Group Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|----------------------|----------------|-------------------------|
| 19 November 2020 | \$0.360 | 1,000,000 |
| 18 January 2021 | \$0.360 | 475,000 |
| | | <u>1,475,000</u> |

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

The following ordinary shares of Sequoia Financial Group Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of performance rights granted:

| Date performance rights granted | Share price as at date of exercise | Number of shares issued |
|---------------------------------|------------------------------------|-------------------------|
| 19 July 2021 | \$0.600 | 97,500 |

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial 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.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:


- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



John Larsen
Chairman

18 August 2022
Sydney

WilliamBuck

ACCOUNTANTS & ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SEQUOIA FINANCIAL GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 18 August 2022

Level 20, 181 William Street, Melbourne VIC 3000

+61 3 9824 8555

vic.info@williambuck.com
williambuck.com.au

William Buck is an association of firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide.
Liability limited by a scheme approved under Professional Standards Legislation.



Auditors Independence Declaration - Sequoia Financial Group Ltd

| | | Consolidated | |
|---|------|--------------|--------------|
| | Note | 2022 \$ | 2021 \$ |
| Revenue | 5 | 147,312,720 | 116,462,659 |
| Expenses | | | |
| Data fees | | (2,125,666) | (1,648,306) |
| Dealing and settlement | | (20,916,675) | (17,848,953) |
| Commission and hedging | | (84,717,442) | (63,076,085) |
| Employee benefits | 6 | (17,403,428) | (14,973,184) |
| Occupancy | | (409,399) | (289,670) |
| Telecommunications | | (2,097,044) | (1,665,917) |
| Marketing | | (312,731) | (304,714) |
| General and administrative | | (6,975,728) | (5,139,272) |
| Operating profit | | 12,354,607 | 11,516,558 |
| Interest revenue calculated using the effective interest method | | 17,001 | 15,631 |
| Share of profits of joint venture accounted for using the equity method | | - | 26,246 |
| Restructure costs | | - | (67,738) |
| Non-operating other income | | - | 63,626 |
| Depreciation | 6 | (1,291,270) | (1,271,652) |
| Amortisation | 6 | (2,094,048) | (1,607,705) |
| Acquisition costs | | (127,819) | (316,339) |
| Finance costs | 6 | (225,303) | (230,836) |
| Profit before income tax expense | | 8,633,168 | 8,127,791 |
| Income tax expense | 7 | (2,918,872) | (2,579,529) |
| Profit after income tax expense for the year attributable to the owners of Sequoia Financial Group Limited | | 5,714,296 | 5,548,262 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax | | 59,833 | 93,889 |
| Other comprehensive income for the year, net of tax | | 59,833 | 93,889 |
| Total comprehensive income for the year attributable to the owners of Sequoia Financial Group Limited | | 5,774,129 | 5,642,151 |
| | | | |
| | | Cents | Cents |
| Basic earnings per share | 33 | 4.296 | 4.324 |
| Diluted earnings per share | 33 | 4.233 | 4.188 |

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

Consolidated

| | Note | 2022 \$ | 2021 \$ |
|---|------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 36,607,635 | 34,643,167 |
| Trade and other receivables | 8 | 31,302,580 | 32,858,840 |
| Contract assets and deferred costs | 9 | 6,660,126 | 7,797,637 |
| Inventories | | 30,499 | 37,259 |
| Investments in shares | 10 | 1,589,036 | 1,797,447 |
| Derivative financial instruments | 11 | 3,316,339 | 9,202,491 |
| Prepayments | | 848,728 | 881,331 |
| Total current assets | | 80,354,943 | 87,218,172 |
| Non-current assets | | | |
| Contract assets and deferred costs | 9 | 2,793,800 | 3,316,919 |
| Investments accounted for using the equity method | | 16,246 | 51,246 |
| Derivative financial instruments | 11 | 7,035,038 | 13,074,689 |
| Other non-current financial assets | | 62,302 | 62,322 |
| Plant and equipment | 12 | 1,336,629 | 1,534,735 |
| Right-of-use assets | 13 | 1,700,335 | 2,130,577 |
| Goodwill and intangible assets | 14 | 35,654,445 | 28,241,840 |
| Deferred tax | 7 | 6,000,655 | 6,056,870 |
| Deposits | | 744,679 | 723,738 |
| Total non-current assets | | 55,344,129 | 55,192,936 |
| Total assets | | 135,699,072 | 142,411,108 |

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

Consolidated

| | Note | 2022 \$ | 2021 \$ |
|---|------|-------------|--------------|
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 48,412,396 | 51,028,728 |
| Contract liabilities and deferred revenue | 16 | 8,908,663 | 10,602,740 |
| Interest bearing loans and borrowings | 17 | 490,777 | 317,253 |
| Lease liabilities | 18 | 911,234 | 785,499 |
| Derivative financial instruments | 11 | 3,316,339 | 9,202,491 |
| Income tax payable | | 665,883 | 1,349,648 |
| Employee benefits | | 1,869,371 | 1,453,637 |
| Contingent consideration | 19 | 3,140,182 | 1,400,000 |
| Total current liabilities | | 67,714,845 | 76,139,996 |
| Non-current liabilities | | | |
| Contract liabilities and deferred revenue | 16 | 3,540,648 | 4,205,041 |
| Lease liabilities | 18 | 1,525,681 | 2,193,839 |
| Derivative financial instruments | 11 | 7,035,038 | 13,074,689 |
| Deferred tax | 7 | 4,605,502 | 3,967,939 |
| Employee benefits | | 155,953 | 288,687 |
| Contingent consideration | 19 | - | 479,350 |
| Client trading and security bond | | 2,746,115 | 944,108 |
| Total non-current liabilities | | 19,608,937 | 25,153,653 |
| Total liabilities | | 87,323,782 | 101,293,649 |
| Net assets | | 48,375,290 | 41,117,459 |
| Equity | | | |
| Issued capital | 20 | 54,491,225 | 51,524,175 |
| Reserves | 21 | 717,474 | 765,224 |
| Accumulated losses | | (6,833,409) | (11,171,940) |
| Total equity | | 48,375,290 | 41,117,459 |

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

| Consolidated | Issued capital \$ | Financial assets at fair value reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|---|----------------------|--|------------------------------------|--------------------------|--------------------|
| Balance at 1 July 2020 | 48,497,215 | 394,507 | 40,064 | (15,693,204) | 33,238,582 |
| Profit after income tax expense for the year | - | - | - | 5,548,262 | 5,548,262 |
| Other comprehensive income for the year, net of tax | - | 93,889 | - | - | 93,889 |
| Total comprehensive income for the year | - | 93,889 | - | 5,548,262 | 5,642,151 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 20) | 2,693,353 | - | - | - | 2,693,353 |
| Vesting of share-based payments | 26,325 | - | 236,764 | - | 263,089 |
| Dividends paid and effect of dividend reinvestment plan (note 22) | 307,282 | - | - | (1,026,998) | (719,716) |
| Balance at 30 June 2021 | 51,524,175 | 488,396 | 276,828 | (11,171,940) | 41,117,459 |

| Consolidated | Issued capital \$ | Financial assets at fair value reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|---|----------------------|--|------------------------------------|--------------------------|--------------------|
| Balance at 1 July 2021 | 51,524,175 | 488,396 | 276,828 | (11,171,940) | 41,117,459 |
| Profit after income tax expense for the year | - | - | - | 5,714,296 | 5,714,296 |
| Other comprehensive income for the year, net of tax | - | 59,833 | - | - | 59,833 |
| Total comprehensive income for the year | - | 59,833 | - | 5,714,296 | 5,774,129 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 20) | 2,735,507 | - | - | - | 2,735,507 |
| Share buy-backs | (291,254) | - | - | - | (291,254) |
| Vesting of share-based payments | - | - | 203,666 | - | 203,666 |
| Transfer of fair value on exercised options | 174,511 | - | (174,511) | - | - |
| Transfer of fair value on lapsed options | - | - | (78,238) | 78,238 | - |
| Transfer of fair value on exercised performance rights | 58,500 | - | (58,500) | - | - |
| Dividends paid and effect of dividend reinvestment plan (note 22) | 289,786 | - | - | (1,454,003) | (1,164,217) |
| Balance at 30 June 2022 | 54,491,225 | 548,229 | 169,245 | (6,833,409) | 48,375,290 |

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

Consolidated

| | Note | 2022 \$ | 2021 \$ |
|--|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 155,726,590 | 118,961,645 |
| Payments to suppliers and employees (inclusive of GST) | | (140,867,813) | (108,043,943) |
| Net cash (used in)/from client related operations | | (1,315,309) | 7,986,328 |
| Interest received | | 13,543,468 | 18,904,030 |
| Interest and other finance costs paid | | 17,001 | 15,631 |
| Income taxes paid | | (129,032) | (104,276) |
| | | (2,908,858) | (2,088,199) |
| Net cash from operating activities | 32 | 10,522,579 | 16,727,186 |
| Cash flows from investing activities | | | |
| Payment for purchase of businesses, net of cash acquired | 30 | (3,269,619) | (366,963) |
| Further payments for prior period purchase of business | | (450,000) | - |
| Payments for investments in shares | | (535,514) | (983,447) |
| Payments for plant and equipment | 12 | (375,411) | (347,939) |
| Payments for asset acquisitions | | (1,529,350) | (2,351,060) |
| Proceeds from disposal of investments in shares | | 188,953 | 621,787 |
| Proceeds of distributions from joint venture | | 35,000 | 15,000 |
| Net cash used in investing activities | | (5,935,941) | (3,412,622) |
| Cash flows from financing activities | | | |
| Proceeds from exercise of options | | 531,000 | 300,000 |
| Payments for share buybacks | | (291,253) | - |
| Repayment of borrowings | | (808,430) | (345,161) |
| Repayment of lease liabilities | | (889,270) | (863,837) |
| Dividends paid | 22 | (1,164,217) | (724,149) |
| Net cash used in financing activities | | (2,622,170) | (1,633,147) |
| Net increase in cash and cash equivalents | | 1,964,468 | 11,681,417 |
| Cash and cash equivalents at the beginning of the financial year | | 34,643,167 | 22,961,750 |
| Cash and cash equivalents at the end of the financial year | | 36,607,635 | 34,643,167 |

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

Consolidated

2022
\$

2021
\$

Cash and cash equivalents

Cash at bank*

Client funds**

| | |
|------------|------------|
| 14,892,498 | 13,692,472 |
| 21,715,137 | 20,950,695 |
| 36,607,635 | 34,643,167 |

* The Group holds cash reserves which are required to meet its broker licensing conditions. The conditions of the license, amongst other requirements, mandate that its wholly owned subsidiary, Morrison Securities, must maintain at all times core capital greater than \$7,500,000 (30 June 2021: \$7,500,000), where at least 90% of this core capital is cash at bank.

** Client funds are not available for general use by the Group.



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

NOTE 1. GENERAL INFORMATION

The financial statements cover Sequoia Financial Group Limited as a Group consisting of Sequoia Financial Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Sequoia Financial Group Limited's functional and presentation currency.

Sequoia Financial Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 7
7 Macquarie Place
Sydney NSW 2000

Principal place of business

Level 8
525 Flinders Street
Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2022. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sequoia Financial Group Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Timing of revenue recognition

Sequoia Equity Markets Group: The Group offers structured products to investors seeking exposure to investment opportunities. Management determined after lengthy evaluation that there are different types of structured product revenue. Each revenue type has numerous and distinct performance obligations, which allows for a different treatment to each of these revenue streams.

The different revenue streams include:

- application fee revenue is recognised up-front (upon execution of delivery of product to the customer) and is non-refundable;
- structured product revenue is released over the duration of the contract as it is earned over a period of time (duration of the contract); and
- coupon premium revenue is earned upon completion of the contract, as it is earned upon concluding the contract (conclusion of contract).

The costs of entering into the contract with wholesale counter parties are matched to the revenue streams.

Interest

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other revenue from client services

Revenues from other services, including brokerage, financial planning, superannuation and corporate advisory services are performed as they are rendered to the customer, net of any commissions. For brokerage, this occurs upon the date of settlement of clearing the underlying transaction on behalf of the client. For corporate advisory income relating to a transaction, this occurs upon the execution of the transaction. Where corporate advisory services relate to fees earned under a retainer agreement, revenue is accrued pro-rata according to the servicing of that retainer.

Government grants

Government grants claimed during the COVID pandemic were reported as received and deducted from employee benefit expenses. Refer to note 6 for further information.

Contract assets and contract liabilities

Contract assets relate to contract costs and contract liabilities relate primarily to structured product revenues. The contract assets represents costs deferred and contract liabilities represent revenue deferred due to recognition requirements where the revenue and cost are spread over the product life.

Income tax

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

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

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation, based upon the maturity date set in the underlying derivative agreement.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the term of the lease |
| Plant and equipment | 3 years |

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Goodwill and intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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

Brand name

Brand name arises on the acquisition of a business. Brand name is not amortised. Instead, brand name is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Customer list

Customer lists are amortised on a straight-line basis over their finite life. The finite life is the period of expected benefit, which ranges from 5 to 20 years depending on factors such as, their significance to the Group, acquisition consideration and estimated customer turnover.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory memberships and licences

Costs in relation to regulatory memberships and licences are capitalised as an asset. These costs are not subsequently amortised but reviewed annually for impairment. Management consider regulatory memberships and licences to have indefinite useful lives because the potential to generate cash flows is unlimited.

Impairment of non-financial assets

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

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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

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

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Sequoia Financial Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Business combination versus asset acquisition

During the financial year, the Directors evaluated each purchase and determined that the purchases of Argent Insurance Brokers Pty Ltd, Docscentre Legal Pty Ltd and Informed Investor group met the criteria of a business combination (refer to note 30), while the purchase of Macro Investment Advisory did not.

Assessment of achieving revenue targets attached to contingent consideration

Contingent consideration is deemed a critical estimate as there may be estimated amounts included in the transaction price of acquired businesses. These estimates are largely based on an assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Assessment of fair value on acquired assets and liabilities in business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group, taking into account all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the business combination occurred and may have an impact on the assets, liabilities, depreciation and amortisation reported.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Derivatives and investments

The fair value of derivatives and investments is determined by marking-to-market. Refer to note 2, Fair value measurement section, and note 24 Fair value measurement.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into five operating segments, which are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

On a monthly basis the CODM reviews operating profit, which is earnings before interest, taxation, depreciation and amortisation, and non-operational items (such as, acquisition-related costs, redundancy costs and impairment charges).

Types of products and services

The principal products and services of each of the Group's operating segments are as follows:

| | |
|---|--|
| Sequoia Licensees Services Group (formerly Sequoia Wealth Group) | <p>The Licensees Services Group is the core driver of the company business thematic.</p> <p>The Licensees Services Group is the area of the business where we provide licensee services to Financial Planners, Wealth Managers, Equity advisers and a Corporate advisory business unit.</p> <p>The Licensees Services Group specialises in providing the adviser market a full service licensing and support service so they can operate as an adviser in a market that is heavily legislated. Our role is to charge a fee for service and assist with a range of value propositions including compliance, marketing, coaching, education, research, and technical support.</p> <p>The advisers are primarily accountants, financial planners, mortgage brokers, insurance advisers, equity market advisers and investment professionals with their AFS licensing, merger and acquisitions corporate advice.</p> |
| Sequoia Professional Services Group | <p>The Professional Services Group provides services to intermediaries including licensed advisers, accountants and lawyers. This service provision includes SMSF administration, general insurance broking, legal document establishment services and company secretarial services. The division has relationships with over 3,000 accountants and financial planners across Australia, who have used at least one service from the division.</p> |
| Sequoia Equity Markets Group | <p>The Equity Markets Group provides services to licensed advisers, self directed investors and superannuation funds. The companies fully owned subsidiary Morrison Securities delivers white label Australian Stockbroking and Specialised Investment solutions to third party institutional and adviser networks that operate their own AFSL.</p> |
| Sequoia Direct Investment Group | <p>The Direct Investment Group provides a range of media services, research and general advice to self directed investors. In addition, the division looks to support AFSL holders with tools to reduce the cost of advice by providing news, research and data on managed funds, direct shares and bonds.</p> |
| Head Office | <p>Head Office relates to the corporate running costs of the Group.</p> |

All products and services are provided predominantly to customers in Australia.

Intersegment transactions

Intersegment transactions were made at cost. Intersegment transactions are eliminated on consolidation.

NOTE 4. OPERATING SEGMENTS (CONTINUED)

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

| Consolidated - 2022 | Sequoia Licensees Services Group \$ | Sequoia Professional Services Group \$ | Sequoia Equity Markets Group \$ | Sequoia Direct Investment Group \$ | Head Office \$ | Total \$ |
|---|-------------------------------------|--|---------------------------------|------------------------------------|----------------|-------------|
| Revenue | | | | | | |
| Revenue | 64,232,315 | 11,000,628 | 70,080,206 | 2,555,464 | 58,912 | 147,927,525 |
| Gains/(losses) on portfolio investments | (514,996) | - | 63 | - | (99,872) | (614,805) |
| Total revenue | 63,717,319 | 11,000,628 | 70,080,269 | 2,555,464 | (40,960) | 147,312,720 |
| Operating profit | 5,474,804 | 2,908,978 | 6,312,770 | 965,647 | (3,307,592) | 12,354,607 |
| Depreciation | | | | | | (1,291,270) |
| Amortisation | | | | | | (2,094,048) |
| Acquisition costs | | | | | | (127,819) |
| Interest revenue | | | | | | 17,001 |
| Finance costs | | | | | | (225,303) |
| Profit before income tax expense | | | | | | 8,633,168 |
| Income tax expense | | | | | | (2,918,872) |
| Profit after income tax expense | | | | | | 5,714,296 |

| Consolidated - 2021 | Sequoia Licensees Services Group \$ | Sequoia Professional Services Group \$ | Sequoia Equity Markets Group \$ | Sequoia Direct Investment Group \$ | Head Office \$ | Total \$ |
|---|-------------------------------------|--|---------------------------------|------------------------------------|----------------|-------------|
| Revenue | | | | | | |
| Revenue | 54,493,541 | 7,060,988 | 52,279,912 | 1,856,073 | (48,595) | 115,641,920 |
| Gains on portfolio investments | 804,501 | - | 16,239 | - | - | 820,739 |
| Total revenue | 55,298,042 | 7,060,988 | 52,296,151 | 1,856,073 | (48,595) | 116,462,659 |
| Operating profit | 6,123,786 | 2,106,165 | 5,898,463 | 594,460 | (3,206,316) | 11,516,558 |
| Depreciation | | | | | | (1,271,652) |
| Amortisation | | | | | | (1,607,705) |
| Acquisition costs | | | | | | (316,339) |
| Interest revenue | | | | | | 15,631 |
| Finance costs | | | | | | (230,836) |
| Restructuring costs | | | | | | (67,738) |
| Non-operating other income | | | | | | 89,872 |
| Profit before income tax expense | | | | | | 8,127,791 |
| Income tax expense | | | | | | (2,579,529) |
| Profit after income tax expense | | | | | | 5,548,262 |

NOTE 5. REVENUE

Consolidated

| | 2022 \$ | 2021 \$ |
|---|-------------|-------------|
| Sales revenue | | |
| Data subscriptions fees | 348,654 | 529,247 |
| Brokerage and commissions revenue | 90,934,448 | 73,803,588 |
| Superannuation product revenue | 2,559,998 | 2,306,465 |
| Structured product revenue | 40,616,051 | 27,902,934 |
| Corporate advisory fees | 10,298,816 | 8,087,523 |
| Media revenue | 845,577 | 830,834 |
| Other income | 2,323,981 | 2,181,329 |
| | 147,927,525 | 115,641,920 |
| Other revenue | | |
| Gains/(losses) on portfolio investments | (614,805) | 820,739 |
| Revenue | 147,312,720 | 116,462,659 |

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| Consolidated - 2022 | Sequoia Licensees Services Group \$ | Sequoia Professional Services Group \$ | Sequoia Equity Markets Group \$ | Sequoia Direct Investment Group \$ | Head Office \$ | Total \$ |
|---|---|--|---|--|----------------------|-------------|
| Timing of revenue recognition | | | | | | |
| Services transferred at a point in time | 64,232,315 | 11,000,628 | 29,464,155 | 1,362,397 | 58,912 | 106,118,407 |
| Services transferred over time | - | - | 40,616,051 | 1,193,067 | - | 41,809,118 |
| | 64,232,315 | 11,000,628 | 70,080,206 | 2,555,464 | 58,912 | 147,927,525 |

| Consolidated - 2021 | Sequoia Licensees Services Group \$ | Sequoia Professional Services Group \$ | Sequoia Equity Markets Group \$ | Sequoia Direct Investment Group \$ | Head Office \$ | Total \$ |
|---|---|--|---|--|----------------------|-------------|
| Timing of revenue recognition | | | | | | |
| Services transferred at a point in time | 54,493,541 | 7,060,988 | 24,376,978 | 623,334 | (48,595) | 86,506,247 |
| Services transferred over time | - | - | 27,902,934 | 1,232,739 | - | 29,135,673 |
| | 54,493,541 | 7,060,988 | 52,279,912 | 1,856,073 | (48,595) | 115,641,920 |

NOTE 6. EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation

Leasehold improvements

Plant and equipment

Land and buildings - right-of-use assets

Total depreciation

Amortisation

Customer list

Regulatory memberships and licences

Other intangibles

Total amortisation

Total depreciation and amortisation

Finance costs

Interest and finance charges paid/payable on borrowings

Interest and finance charges paid/payable on lease liabilities

Finance costs expensed

Employee benefits

Wages and salaries

Government COVID grants

Redundancies and terminations

Share-based payments

Commissions and discretionary bonus

Defined contribution superannuation expense

Other employment costs

Total employee benefits

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| | | |
| | 99,871 | 108,257 |
| | 482,381 | 450,675 |
| | 709,018 | 712,720 |
| | 1,291,270 | 1,271,652 |
| | | |
| | 1,926,943 | 1,441,875 |
| | 4,418 | 4,418 |
| | 162,687 | 161,412 |
| | 2,094,048 | 1,607,705 |
| | 3,385,318 | 2,879,357 |
| | | |
| | 129,032 | 104,276 |
| | 96,271 | 126,560 |
| | 225,303 | 230,836 |
| | | |
| | 10,859,134 | 9,162,489 |
| | - | (319,500) |
| | - | 87,715 |
| | 203,666 | 290,764 |
| | 2,181,843 | 2,415,598 |
| | 1,188,999 | 992,253 |
| | 2,969,786 | 2,411,603 |
| | 17,403,428 | 15,040,922 |

NOTE 7. INCOME TAX

| | Consolidated | |
|--|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Income tax expense | | |
| Current tax | 2,873,100 | 2,497,508 |
| Deferred tax - origination and reversal of temporary differences | (40,847) | 103,111 |
| Adjustment recognised for prior periods | 86,619 | (21,090) |
| Aggregate income tax expense | 2,918,872 | 2,579,529 |
| Deferred tax included in income tax expense comprises: | | |
| Decrease in deferred tax assets | 796,964 | 1,292,553 |
| Decrease in deferred tax liabilities | (837,811) | (1,189,442) |
| Deferred tax - origination and reversal of temporary differences | (40,847) | 103,111 |
| Numerical reconciliation of income tax expense and tax at the statutory rate | | |
| Profit before income tax expense | 8,633,168 | 8,127,791 |
| Tax at the statutory tax rate of 30% | 2,589,950 | 2,438,337 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 429,740 | 318,591 |
| Net research and development credit | (101,616) | (140,194) |
| Sundry items | (85,821) | (16,115) |
| | 2,832,253 | 2,600,619 |
| Adjustment recognised for prior periods | 86,619 | (21,090) |
| Income tax expense | 2,918,872 | 2,579,529 |



NOTE 7. INCOME TAX (CONTINUED)

Consolidated

2022
\$

2021
\$

Deferred tax asset

Deferred tax asset comprises temporary differences attributable to:

Allowance for expected credit losses

Employee benefits

Accrued expenses

Deferred income

Net fair value loss on investment

Lease liability

Deferred tax asset

Movements:

Opening balance

Charged to profit or loss

Additions through business combinations (note 30)

Recognition of deferred tax asset on lease liability

Other reclass

Closing balance

| 2022 \$ | 2021 \$ |
|------------|-------------|
| 6,000 | 6,075 |
| 679,676 | 565,526 |
| 626,189 | 673,449 |
| 3,734,793 | 4,442,334 |
| 222,921 | 41,037 |
| 731,076 | 328,449 |
| 6,000,655 | 6,056,870 |
| 6,056,870 | 7,267,653 |
| (796,964) | (1,292,553) |
| - | 79,239 |
| 740,749 | - |
| - | 2,531 |
| 6,000,655 | 6,056,870 |

Consolidated

2022
\$

2021
\$

Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:

Financial assets at fair value through other comprehensive income

Deferred expenses

Intangibles

Lease asset

Deferred tax liability

Movements:

Opening balance

Credited to profit or loss

Additions through business combinations (note 30)

Recognition of deferred tax liability on lease asset

Other reclass

Closing balance

| 2022 \$ | 2021 \$ |
|------------|-------------|
| 234,910 | 224,731 |
| 2,853,139 | 3,361,666 |
| 967,824 | 381,542 |
| 549,629 | - |
| 4,605,502 | 3,967,939 |
| 3,967,939 | 4,903,818 |
| (837,811) | (1,189,442) |
| 734,625 | 250,528 |
| 740,749 | - |
| - | 3,035 |
| 4,605,502 | 3,967,939 |

NOTE 8. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Current assets | | |
| Trade receivables | 1,786,867 | 1,169,486 |
| Less: Allowance for expected credit losses | (20,000) | (20,250) |
| | 1,766,867 | 1,149,236 |
| Other receivables* | 29,535,713 | 31,709,604 |
| | 31,302,580 | 32,858,840 |

* Includes trade settlement receivable for Morrison Securities Pty Ltd of \$27,602,440 as at 30 June 2022 (30 June 2021: \$29,800,778). The remaining balance relates to commissions receivable.

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|-----------------------|---------------------------|-----------|-----------------|------------|--------------------------------------|------------|
| | 2022 % | 2021 % | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Not overdue | - | - | 30,992,893 | 32,615,802 | - | - |
| 1 to 30 days overdue | - | - | 101,086 | 66,753 | - | - |
| 31 to 60 days overdue | - | - | 59,873 | 106,013 | - | - |
| Over 60 days overdue | 11.85% | 22.37% | 168,728 | 90,522 | 20,000 | 20,250 |
| | | | 31,322,580 | 32,879,090 | 20,000 | 20,250 |

Movements in the allowance for expected credit losses are as follows:

| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Opening balance | 20,250 | 57,000 |
| Additional provisions recognised | - | 30,191 |
| Receivables written off during the year | - | (28,366) |
| Unused amounts reversed | (250) | (38,575) |
| Closing balance | 20,000 | 20,250 |

NOTE 9. CONTRACT ASSETS AND DEFERRED COSTS

| | Consolidated | |
|----------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current assets</i> | | |
| Contract assets - deferred costs | 6,660,126 | 7,797,637 |
| <i>Non-current assets</i> | | |
| Contract assets - deferred costs | 2,793,800 | 3,316,919 |

Contract assets – deferred costs relate to the costs of revenue contracts for structured products. These costs (and associated revenues) are amortised over the life of the contract.

Changes in contract assets and liabilities reflect both:

- (a) the release of deferred revenues and costs to the profit and loss through the performance of a contract; and
- (b) new receipts and prepayments for contracts that are yet to be performed.

NOTE 10. INVESTMENTS IN SHARES

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current assets</i> | | |
| Investments in shares | 1,589,036 | 1,797,447 |
| <i>Reconciliation</i> | | |
| Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening fair value | 1,797,447 | 443,759 |
| Net additions | 346,561 | 390,816 |
| Revaluation taken to profit or loss | (614,805) | 820,739 |
| Revaluation recognised in other comprehensive income | 59,833 | 93,889 |
| Reclassified from non-current financial assets | - | 48,244 |
| Closing fair value | 1,589,036 | 1,797,447 |

Refer to note 24 for further information on fair value measurement.

Ordinary shares are held in ASX listed companies and are actively traded.

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

| | Consolidated | |
|-------------------------------------|--------------|--------------|
| | 2022 \$ | 2021 \$ |
| <i>Current assets</i> | | |
| Derivatives - financial assets | 3,316,339 | 9,202,491 |
| <i>Non-current assets</i> | | |
| Derivatives - financial assets | 7,035,038 | 13,074,689 |
| <i>Current liabilities</i> | | |
| Derivatives - financial liabilities | (3,316,339) | (9,202,491) |
| <i>Non-current liabilities</i> | | |
| Derivatives - financial liabilities | (7,035,038) | (13,074,689) |
| | - | - |

Refer to note 23 for further information on financial instruments.

Refer to note 24 for further information on fair value measurement.

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the value of its investment products issued to the Group's investors in accordance with the Group's financial risk management policies (refer to note 23).

The Group offers its clients investment products structured legally as loans, which provide clients a derivative exposure to underlying market movements to those products. These exact market risks are in-turn hedged with exact like-for-like products offered by commercial institutions, leaving the Group with no exposure to the underlying market risks.

Information about the Group's exposure to market risk, liquidity risk, and credit risk is disclosed in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets outlined above.

Sequoia has an obligation to its clients to pay the value of the investment at expiry. The current asset amount and the non-current asset amount equals that of the investment obligation described as a current liability and a non-current liability. The carrying amount equals the amount of the investment obligation. The rise or fall offset each other.

NOTE 12. PLANT AND EQUIPMENT

| | Consolidated | |
|----------------------------------|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| <i>Non-current assets</i> | | |
| Leasehold improvements - at cost | 921,060 | 921,060 |
| Less: Accumulated depreciation | (655,006) | (555,135) |
| | 266,054 | 365,925 |
| Plant and equipment - at cost | 5,941,345 | 5,561,044 |
| Less: Accumulated depreciation | (4,870,770) | (4,392,234) |
| | 1,070,575 | 1,168,810 |
| | 1,336,629 | 1,534,735 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Leasehold improvements \$ | Plant and equipment \$ | Total \$ |
|---|---------------------------------|------------------------------|-------------|
| Balance at 1 July 2020 | 471,810 | 1,240,989 | 1,712,799 |
| Additions | 2,372 | 356,565 | 358,937 |
| Additions through business combinations (note 30) | - | 21,931 | 21,931 |
| Depreciation expense | (108,257) | (450,675) | (558,932) |
| Balance at 30 June 2021 | 365,925 | 1,168,810 | 1,534,735 |
| Additions | - | 375,411 | 375,411 |
| Additions through business combinations (note 30) | - | 10,386 | 10,386 |
| Disposals | - | (1,650) | (1,650) |
| Depreciation expense | (99,871) | (482,382) | (582,253) |
| Balance at 30 June 2022 | 266,054 | 1,070,575 | 1,336,629 |

NOTE 13. RIGHT-OF-USE ASSETS

| | Consolidated | |
|--------------------------------|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Non-current assets | | |
| Buildings - right-of-use | 4,537,481 | 4,478,783 |
| Less: Accumulated depreciation | (2,971,438) | (2,348,206) |
| | 1,566,043 | 2,130,577 |
| Equipment - right-of-use | 141,340 | - |
| Less: Accumulated depreciation | (7,048) | - |
| | 134,292 | - |
| | 1,700,335 | 2,130,577 |

The Group leases buildings for its offices under agreements of between three to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Buildings - right-of-use \$ | Equipment - right-of-use \$ | Total \$ |
|---|-----------------------------------|-----------------------------------|-------------|
| Balance at 1 July 2020 | 2,764,559 | - | 2,764,559 |
| Additions through business combinations (note 30) | 78,738 | - | 78,738 |
| Depreciation expense | (712,720) | - | (712,720) |
| Balance at 30 June 2021 | 2,130,577 | - | 2,130,577 |
| Additions | 172,732 | 141,340 | 314,072 |
| Revaluation | (35,296) | - | (35,296) |
| Depreciation expense | (701,970) | (7,048) | (709,018) |
| Balance at 30 June 2022 | 1,566,043 | 134,292 | 1,700,335 |

For other lease related disclosures refer to the following:

- note 6 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- note 18 for lease liabilities and maturities of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

NOTE 14. GOODWILL AND INTANGIBLE ASSETS

| | Consolidated | |
|---|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Non-current assets | | |
| Goodwill | 18,576,048 | 12,192,932 |
| Less: Impairment | (1,019,547) | (1,019,547) |
| | 17,556,501 | 11,173,385 |
| Customer list - at cost | 16,474,363 | 13,425,614 |
| Less: Accumulated amortisation | (4,233,800) | (2,306,857) |
| | 12,240,563 | 11,118,757 |
| Regulatory memberships and licences - at cost | 3,831,867 | 3,836,285 |
| Brand name - at cost | 1,821,233 | 1,821,233 |
| Other intangibles - at cost | 852,339 | 779,059 |
| Less: Accumulated amortisation | (648,058) | (486,879) |
| | 204,281 | 292,180 |
| | 35,654,445 | 28,241,840 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Goodwill \$ | Customer list \$ | Regulatory memberships and licences \$ | Brand name \$ | Other intangibles \$ | Total \$ |
|---|----------------|------------------------|--|---------------------|----------------------------|-------------|
| Balance at 1 July 2020 | 10,822,525 | 7,999,597 | 3,840,703 | 1,200,832 | 453,592 | 24,317,249 |
| Additions | - | 3,731,491 | - | - | - | 3,731,491 |
| Additions through business combinations (note 30) | 350,860 | 835,093 | - | 620,401 | - | 1,806,354 |
| Disposals | - | (5,549) | - | - | - | (5,549) |
| Amortisation expense | - | (1,441,875) | (4,418) | - | (161,412) | (1,607,705) |
| Balance at 30 June 2021 | 11,173,385 | 11,118,757 | 3,836,285 | 1,821,233 | 292,180 | 28,241,840 |
| Additions | - | 600,000 | - | - | - | 600,000 |
| Additions through business combinations (note 30) | 6,383,116 | 2,448,749 | - | - | 74,788 | 8,906,653 |
| Disposals | - | - | - | - | - | - |
| Amortisation expense | - | (1,926,943) | (4,418) | - | (162,687) | (2,094,048) |
| Balance at 30 June 2022 | 17,556,501 | 12,240,563 | 3,831,867 | 1,821,233 | 204,281 | 35,654,445 |

NOTE 14. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets of indefinite life

Intangible assets of indefinite life, consisting of goodwill, regulatory memberships and licences and brand names acquired through business combinations have been allocated to the following cash generating units:

| Consolidated - 2022 | Goodwill \$ | Regulatory memberships and licences \$ | Brand name \$ | Total \$ |
|--|----------------|---|---------------------|-------------|
| <i>Cash-generating units ('CGUs'):</i> | | | | |
| Sequoia Licensees Service Group | 1,809,211 | 267,661 | 1,200,832 | 3,277,704 |
| Sequoia Professional Services Group | 4,930,386 | - | 620,401 | 5,550,787 |
| Sequoia Equity Markets Group | 4,862,392 | 3,564,206 | - | 8,426,598 |
| Sequoia Direct Investments Group | 5,954,512 | - | - | 5,954,512 |
| | 17,556,501 | 3,831,867 | 1,821,233 | 23,209,601 |

| Consolidated - 2021 | Goodwill \$ | Regulatory memberships and licences \$ | Brand name \$ | Total \$ |
|--|----------------|---|---------------------|-------------|
| <i>Cash-generating units ('CGUs'):</i> | | | | |
| Sequoia Licensees Service Group | 1,023,335 | 272,079 | 1,200,832 | 2,496,246 |
| Sequoia Professional Services Group | 4,736,880 | - | 620,401 | 5,357,281 |
| Sequoia Equity Markets Group | 4,862,392 | 3,564,206 | - | 8,426,598 |
| Sequoia Direct Investments Group | 550,778 | - | - | 550,778 |
| | 11,173,385 | 3,836,285 | 1,821,233 | 16,830,903 |

The recoverable amount of the Group's CGUs has been determined by a value-in-use calculation using a discounted cash flow model, based on a 12-month projection period approved by management and extrapolated for a further 4 years by using key assumptions.

Key assumptions are those to which the recoverable amount of an asset or CGUs is most sensitive.

The following key assumptions were used in the discounted cash flow model in relation to the intangible assets of indefinite life associated to various CGUs:

| Key assumptions | Revenue growth rate % | Cost of sales growth rate % | Pre-tax discount rate % |
|-------------------------------------|--------------------------|--------------------------------|----------------------------|
| Sequoia Licensees Services Group | 3.0% | 2.5% | 15.0% |
| Sequoia Professional Services Group | 3.0% | 2.5% | 15.0% |
| Sequoia Equity Markets Group | 3.0% | 2.5% | 15.0% |
| Sequoia Direct Investment Group | 1.0% | 2.5% | 15.0% |

The intangible assets of indefinite life are considered to be sensitive to these assumptions and are carried in the statement of financial position at a written-down value.

NOTE 14. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Sensitivity

The directors have made judgements and estimates in respect of impairment testing of intangible assets of indefinite life. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

(a) Revenue growth would need to decrease by 2.4% before intangible assets of indefinite life would need to be impaired, with all other assumptions remaining constant.

(b) The discount rate would be required to increase by 21.0% before intangible assets of indefinite life would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of intangible assets of indefinite life is based would not cause the CGUs carrying amount to exceed its recoverable amount.

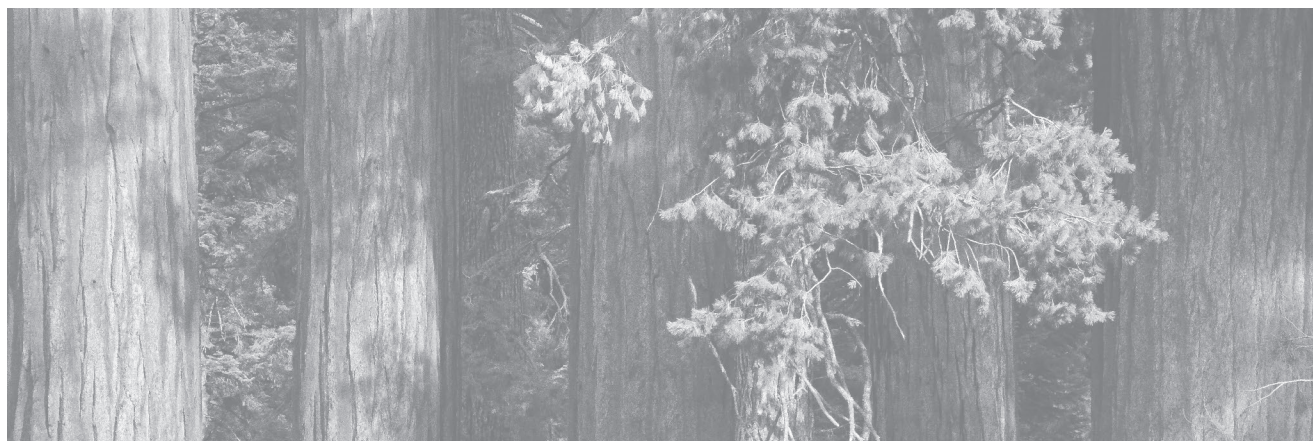
If there are any negative changes in the key assumptions on which the recoverable amount of intangible assets of indefinite life is based, this would result in a further impairment charge for intangible assets of indefinite life.

NOTE 15. TRADE AND OTHER PAYABLES

| | Consolidated | |
|---------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Current liabilities | | |
| Trade payables* | 41,072,315 | 44,962,720 |
| Accrued expenses | 6,519,831 | 4,999,217 |
| Security bond | 25,000 | - |
| Other payables | 795,250 | 1,066,791 |
| | 48,412,396 | 51,028,728 |

* Includes Trade settlement payables for Morrison Securities Pty Ltd of \$40,560,744 as at 30 June 2022 (30 June 2021: \$44,074,390).

Refer to note 23 for further information on financial instruments.



NOTE 16. CONTRACT LIABILITIES AND DEFERRED REVENUE

| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Contract liabilities - deferred revenue | 8,908,663 | 10,602,740 |
| <i>Non-current liabilities</i> | | |
| Contract liabilities - deferred revenue | 3,540,648 | 4,205,041 |

Contract liabilities - deferred revenue relate primarily to structured product revenues. The revenue is deferred due to recognition requirements where the revenue and cost are spread over the product life.

Changes in contract assets and liabilities reflect both:

- (a) the release of deferred revenues and costs to the profit and loss through the performance of a contract; and
- (b) new receipts and prepayments for contracts that are yet to be performed.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$12,449,311 as at 30 June 2022 (\$14,807,780 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated | |
|-----------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| 1 year or less | 8,908,663 | 10,602,740 |
| Between 1 and 2 years | 3,136,805 | 3,929,131 |
| Between 2 and 3 years | 403,843 | 275,909 |
| | 12,449,311 | 14,807,780 |

Revenue recognition is calculated on the product term remaining up to the maturity date.

NOTE 17. INTEREST BEARING LOANS AND BORROWINGS

| | Consolidated | |
|----------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Other unsecured loans* | 490,777 | 317,253 |

* Other unsecured loans relates to funding for Professional Indemnity Insurance Premium at an interest rate of 4.23% (30 June 2021: 3.32%).

Refer to note 23 for further information on financial instruments.

NOTE 18. LEASE LIABILITIES

| | Consolidated | |
|--------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Lease liability | 911,234 | 785,499 |
| <i>Non-current liabilities</i> | | |
| Lease liability | 1,525,681 | 2,193,839 |

The following table details the Group's remaining contractual maturity for its lease liabilities:

| | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 3 years \$ | Between 3 and 4 years \$ | Between 4 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------|--|
| 2022 | | | | | | | |
| Lease liability | 911,234 | 908,275 | 559,194 | 31,931 | 26,282 | - | 2,436,916 |
| 2021 | | | | | | | |
| Lease liability | 785,499 | 846,914 | 835,332 | 511,593 | - | - | 2,979,338 |

The cash flow in the maturity analysis above are present values of future payments and are not expected to occur significantly earlier than contractually disclosed.

NOTE 19. CONTINGENT CONSIDERATION

| | Consolidated | |
|--------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Contingent consideration | 3,140,182 | 1,400,000 |
| <i>Non-current liabilities</i> | | |
| Contingent consideration | - | 479,350 |

Contingent considerations relate to future instalment payments for the acquisitions of Argent Insurance Brokers, Informed Investor group and a client book purchased during the last financial year. Refer to note 30 'Business combinations'.

NOTE 20. ISSUED CAPITAL

| | Consolidated | | | |
|------------------------------|----------------|----------------|------------|------------|
| | 2022 Shares | 2021 Shares | 2022 \$ | 2021 \$ |
| Ordinary shares - fully paid | 136,279,689 | 131,507,805 | 54,491,225 | 51,524,175 |

NOTE 20. ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|-----------------|-------------|-------------|------------|
| Balance | 1 July 2020 | 121,216,770 | | 48,497,215 |
| Issue of shares on exercise of performance rights | 9 July 2020 | 97,500 | \$0.270 | 26,325 |
| Issue of fully paid shares to executives as part of remuneration | 9 July 2020 | 102,500 | \$0.270 | 27,675 |
| Issue of shares on acquisition of Libertas Financial Planning | 9 July 2020 | 3,810,000 | \$0.210 | 800,100 |
| Issue of shares on acquisition of Total Cover Australia's customer base | 6 August 2020 | 1,500,001 | \$0.220 | 330,000 |
| Issue of shares on acquisition of YieldReport's assets | 6 October 2020 | 100,000 | \$0.300 | 30,000 |
| Issue of shares for dividend reinvestment plan FY20 | 13 October 2020 | 574,799 | \$0.331 | 190,322 |
| Issue of shares on acquisition of Panthercorp CST Pty Ltd | 1 February 2021 | 2,000,000 | \$0.400 | 800,000 |
| Issue of shares as consideration under purchase of assets agreement with First Option Management Pty Ltd | 1 February 2021 | 625,000 | \$0.480 | 300,000 |
| Issue of shares for dividend reinvestment plan HY21 | 15 March 2021 | 261,235 | \$0.448 | 116,960 |
| Issue of shares on exercise of options | 23 April 2021 | 1,000,000 | \$0.300 | 300,000 |
| Issue of shares as part consideration for purchase of assets agreement with InterPrac Securities Pty Ltd and SFG Financial Services Pty Ltd | 21 May 2021 | 20,000 | \$0.500 | 10,000 |
| Issue of shares on acquisition of FF Planning Solutions customer base | 9 June 2021 | 200,000 | \$0.500 | 100,000 |
| Share issue transaction costs | | | | (4,422) |
| Balance | 30 June 2021 | 131,507,805 | | 51,524,175 |
| Opening balance adjustment | | 69 | | - |
| Issue of shares on exercise of performance rights | 19 July 2021 | 97,500 | \$0.600 | 58,500 |
| Issue of shares as part consideration for the acquisition of a client book from Macro Investment Advisory Pty Ltd | 3 August 2021 | 300,000 | \$0.500 | 150,000 |
| Issue of shares on exercise of options | 25 August 2021 | 75,000 | \$0.504 | 37,821 |
| Issue of shares for dividend reinvestment plan FY21 | 11 October 2021 | 244,146 | \$0.638 | 155,781 |
| Share buy-back | 17 January 2022 | (28,879) | \$0.680 | (19,638) |
| Issue of shares as part consideration for the acquisition of a client book from Macro Investment Advisory Pty Ltd | 27 January 2022 | 223,214 | \$0.672 | 150,000 |
| Issue of shares for dividend reinvestment plan HY22 | 15 March 2022 | 197,066 | \$0.680 | 134,005 |
| Issue of shares as part consideration for the acquisition of the Informed Investor business group | 6 April 2022 | 2,720,723 | \$0.700 | 1,904,507 |
| Issue of shares on exercise of options | 4 May 2022 | 100,000 | \$0.504 | 50,428 |
| Issue of shares on exercise of options | 20 May 2022 | 250,000 | \$0.466 | 116,494 |
| Issue of shares on exercise of options | 23 May 2022 | 750,000 | \$0.466 | 349,483 |
| Share buy-back | 14 June 2022 | (97,000) | \$0.610 | (59,170) |
| Share buy-back | 15 June 2022 | (303,000) | \$0.596 | (180,550) |
| Share buy-back | 20 June 2022 | (1,412) | \$0.560 | (791) |
| Share buy-back | 21 June 2022 | (55,542) | \$0.560 | (31,104) |
| Share buy-back | 22 June 2022 | (1) | \$0.560 | (1) |

NOTE 20. ISSUED CAPITAL (CONTINUED)

| Details | Date | Shares | Issue price | \$ |
|--|--------------|-------------|-------------|------------|
| Issue of shares on exercise of options | 29 June 2022 | 250,000 | \$0.504 | 126,071 |
| Issue of shares on exercise of options | 30 June 2022 | 50,000 | \$0.504 | 25,214 |
| Balance | 30 June 2022 | 136,279,689 | | 54,491,225 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a poll, whether in attendance or by proxy, each share shall have one vote.

Share buy-back

On 26 November 2021, the Company proposed to buy-back unmarketable parcels of shares (worth less than \$500) from eligible shareholders. On 17 January 2022, the share buy-back was completed with the Company buying 28,879 shares at a cost of \$19,638.

On 4 May 2022, the Company proposed an on-market buy-back of shares from eligible shareholders for a period of one year commencing 25 May 2022. As at 30 June 2022, 456,955 shares had been bought-back at a cost of \$271,616.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional capital raises as it continues to integrate and grow its existing businesses in order to maximise synergies.

As per ASX listing rules, the Group also has the ability to raise capital flexibly, in line with the placement capacity. This is broadly 15% of its fully paid ordinary issued capital, within a 12 month period.

The capital risk management policy remains unchanged from prior years.

Dividend Reinvestment Plan

On 4 May 2022, the Group announced the cancellation of the Dividend Reinvestment plan ('DRP') for the remainder of the 2022 calendar year. Prior to cancellation, shares allocated to shareholders under the DRP were allocated at an amount equal to 97.5% of the average of the daily weighted average market price of ordinary shares of the Company traded on the ASX over the period of five trading days prior to the closing date.

NOTE 21. RESERVES

| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Financial assets at fair value through other comprehensive income reserve | 548,229 | 488,396 |
| Share-based payments reserve | 169,245 | 276,828 |
| | 717,474 | 765,224 |

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 22. DIVIDENDS

| Details of dividends ⁽¹⁾ | Cents per share | \$ |
|---|-----------------|---------|
| 2021 Final dividend (paid 11 October 2021) ⁽²⁾ | 0.60 | 791,882 |
| 2022 Interim dividend (paid 15 March 2022) ⁽³⁾ | 0.50 | 662,121 |

(1) All dividends are fully franked

(2) 2021 Final dividend comprised of a cash dividend paid of \$636,101 and dividend reinvestment allotment of \$155,781

(3) 2022 Interim dividend comprised of a cash dividend paid of \$528,116 and dividend reinvestment allotment of \$134,005

Franking credits

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 12,985,289 | 10,648,715 |

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

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

NOTE 23. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, derivative assets and liabilities and loans payable.

This note provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition, this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

One of the Group's main activities is to issue investments to its product holders which provide returns based on the performance of an underlying reference asset, typically a single index or a single listed equity. Different underlying reference assets, with varying features are issued in separate series. The series are exposed to securities listed on global or local exchanges. The products issued to the product holders have a maturity of between 18 months and 48 months from the date of issue. On maturity, if the investment has performed sufficiently, the product holder has the option to contribute in cash the notional value of the investment on issue date to receive a delivery asset (a liquid security on the ASX) equal to the value of the underlying reference asset or the value in cash of the financial liability. The Group enters into a financial instrument with an investment bank, which hedges each series that is offered to its product holders. The Group ensures that the notional exposure across all its products are covered via the arrangement, and as such mitigates its risk in this fashion.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The Board of Directors monitor and manage financial risk exposures of the Group. The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

Consolidated

2022
\$

2021
\$

Financial assets

Cash and cash equivalents

36,607,635

34,643,167

Trade and other receivables

31,322,580

32,879,090

Derivative assets

10,351,377

22,277,180

Other financial assets

1,651,338

1,859,769

Total financial assets

79,932,930

91,659,206

Financial liabilities

Trade and other payables

48,412,396

51,028,728

Derivative liabilities

10,351,377

22,277,180

Lease liabilities

2,436,915

2,979,338

Contingent consideration

3,140,182

1,879,350

Other loans

490,777

317,253

Total financial liabilities

64,831,647

78,481,849

NOTE 23. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group issues a structured product to the product holder that is hedged with the financial instrument that it purchases from an investment bank. The details of the financial instruments are such that the future cash flows from the financial assets offset the cash flows needed to settle the financial liabilities. The Group uses this arrangement to mitigate the market risks below, except for credit risk.

Price risk

Price risk arises from changes in underlying investments designated in the financial instruments held by the Group for which values in the future are uncertain.

The Group mitigates the above price risk by ensuring that price risk in the financial instruments is offset with one another. The difference in fair value between the financial asset and liability held through profit or loss is as a result of the premium associated with the financial liability arising from being issued in the retail market. The Group does not monitor the price risk associated with the premium, as price risk would only result if the Group were to transfer the liability, and since the Group has no intention of transferring the financial liability, no disclosures regarding the sensitivity to price risk have been made.

The Group is, therefore, not exposed to any significant price risk in relation to issued structured products.

The Group has an exposure to price risk on its listed and unlisted equity investments and, as at year end, a 20% increase or decrease in price would affect the shareholding value by approximately \$316,000.

Interest rate risk

Interest rate risk is the risk that the value of the Group's financial instruments will fluctuate due to changes in market interest rates.

The Group's cash and cash equivalents are exposed to interest rate risk, however the Directors of the Group manage financial instruments to ensure that interest rate risk remains hedged and is therefore offsetting.

The Group is not exposed to any significant interest rate risk.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness.

NOTE 23. FINANCIAL INSTRUMENTS (CONTINUED)

Such monitoring is used in assessing receivables for impairment.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board of Directors has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed by obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

The financial products issued by Sequoia Specialist Investments Pty Ltd ('Issuer') are secured obligations of the Issuer. Investors are granted a charge which is held on trust by the security trustee. If the Issuer fails to (i) make a payment or delivery on its due date; or (ii) meet any other obligation and in the Security Trustee's opinion, the failure is materially adverse to the investors and cannot be remedied (or has not been remedied within 5 business days of written notice), the Security Trustee may enforce the charge. In this case the investors are unsecured creditors of the provider of the hedge assets. Investors' rights of recourse against the Issuer on a default are limited to the assets subject to the charge. This structure has the effect of passing through the credit rating of the provider of the hedge asset and protecting different financial product series from cross-liability issues (other than on an insolvency of either the Issuer or the provider of the hedge asset). The Issuer will only deal with an investment-grade (or better) bank or a subsidiary of an investment-grade (or better) bank.

Investments grades are a rating or indicator of particular debt obligations which have a low risk of default. Various rating agencies rate an investment bank's creditworthiness. Different rating firms use different designations. Sequoia Specialist Investments Pty Ltd hedge providers are considered "investment grade" and the credit worthiness of our investment bank hedge contracts providers are between high credit quality ('AAA' and 'AA') and medium credit quality ('A' and 'BBB'). Therefore, the risk of default of the selected hedge providers are considered low. In addition, if the investment bank were to unexpectedly default the resulting financial risk would be ultimately borne by the end investor, due to the pass through of the credit risk of the hedge provider to the end investor.

The following tables detail the Group's potential exposure, should the counterparties be unable to meet their obligations:

| Consolidated - 2022 | Fair value \$ | Notional value \$ |
|---------------------|------------------|----------------------|
| Derivative assets | 10,351,377 | 242,695,393 |
| Consolidated - 2021 | Fair value \$ | Notional value \$ |
| Derivative assets | 22,277,180 | 325,617,928 |

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

NOTE 23. FINANCIAL INSTRUMENTS (CONTINUED)

Remaining contractual maturities

The following tables detail the Group's maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

| Consolidated - 2022 | 1 year or less \$ | Between 1 and 5 years \$ | Remaining contractual maturities \$ |
|------------------------------------|----------------------|--------------------------------|--|
| Non-derivatives | | | |
| <i>Non-interest bearing</i> | | | |
| Trade payables | 41,072,315 | - | 41,072,315 |
| Other payables | 795,250 | - | 795,250 |
| Client trading and security bond | - | 2,746,115 | 2,746,115 |
| Contingent consideration | 3,140,182 | - | 3,140,182 |
| <i>Interest-bearing - variable</i> | | | |
| Other loans | 490,777 | - | 490,777 |
| Total non-derivatives | 45,498,524 | 2,746,115 | 48,244,639 |
| Derivatives | | | |
| Value hedges, net settled | 3,316,339 | 7,035,038 | 10,351,377 |
| Total derivatives | 3,316,339 | 7,035,038 | 10,351,377 |

| Consolidated - 2021 | 1 year or less \$ | Between 1 and 5 years \$ | Remaining contractual maturities \$ |
|------------------------------------|----------------------|--------------------------------|--|
| Non-derivatives | | | |
| <i>Non-interest bearing</i> | | | |
| Trade payables | 44,962,720 | - | 44,962,720 |
| Other payables | 1,066,791 | - | 1,066,791 |
| Client trading and security bond | - | 944,108 | 944,108 |
| Contingent consideration | 1,400,000 | 479,350 | 1,879,350 |
| <i>Interest-bearing - variable</i> | | | |
| Other loans | 317,253 | - | 317,253 |
| Total non-derivatives | 47,746,764 | 1,423,458 | 49,170,222 |
| Derivatives | | | |
| Value hedges, net settled | 9,202,491 | 13,074,689 | 22,277,180 |
| Total derivatives | 9,202,491 | 13,074,689 | 22,277,180 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 24. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 2022 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|----------------------------------|------------------|-------------------|---------------|-------------------|
| Assets | | | | |
| Listed ordinary shares | 1,589,036 | - | - | 1,589,036 |
| Unlisted ordinary shares | - | - | 62,302 | 62,302 |
| Derivative financial instruments | - | 10,351,377 | - | 10,351,377 |
| Total assets | 1,589,036 | 10,351,377 | 62,302 | 12,002,715 |
| Liabilities | | | | |
| Derivative financial instruments | - | 10,351,377 | - | 10,351,377 |
| Contingent consideration | - | 3,140,182 | - | 3,140,182 |
| Total liabilities | - | 13,491,559 | - | 13,491,559 |

| Consolidated - 2021 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|----------------------------------|------------------|-------------------|---------------|-------------------|
| Assets | | | | |
| Listed ordinary shares | 1,797,447 | - | - | 1,797,447 |
| Unlisted ordinary shares | - | - | 62,322 | 62,322 |
| Derivative financial instruments | - | 22,277,180 | - | 22,277,180 |
| Total assets | 1,797,447 | 22,277,180 | 62,322 | 24,136,949 |
| Liabilities | | | | |
| Derivative financial instruments | - | 22,277,180 | - | 22,277,180 |
| Contingent consideration | - | 1,879,350 | - | 1,879,350 |
| Total liabilities | - | 24,156,530 | - | 24,156,530 |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables, trade and other payables and other financial liabilities approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTE 24. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation techniques for fair value measurements categorised within level 2 and level 3

Financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Unquoted investments have been valued using prices evident in recent third party transactions.

The valuation process is managed by the Chief Operating Decision Makers ('CODM') of the Group who perform and validate valuations of non-property assets required for financial reporting purposes (including level 3 fair values). Discussion on valuation processes and outcomes are held between the CODM, CFO and audit committee every six months.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| Consolidated | Unlisted ordinary shares \$ |
|-------------------------|-----------------------------------|
| Balance at 1 July 2020 | 110,546 |
| Transfers out level 3 | (48,244) |
| Additions | 20 |
| Balance at 30 June 2021 | 62,322 |
| Disposals | (20) |
| Balance at 30 June 2022 | 62,302 |

NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Short-term employee benefits | 932,779 | 955,192 |
| Post-employment benefits | 56,269 | 51,038 |
| Share-based payments | 149,712 | 179,191 |
| | 1,138,760 | 1,185,421 |

Refer to the 'Remuneration report (audited)' section of the Directors' report for a detailed breakdown.

NOTE 26. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the Company:

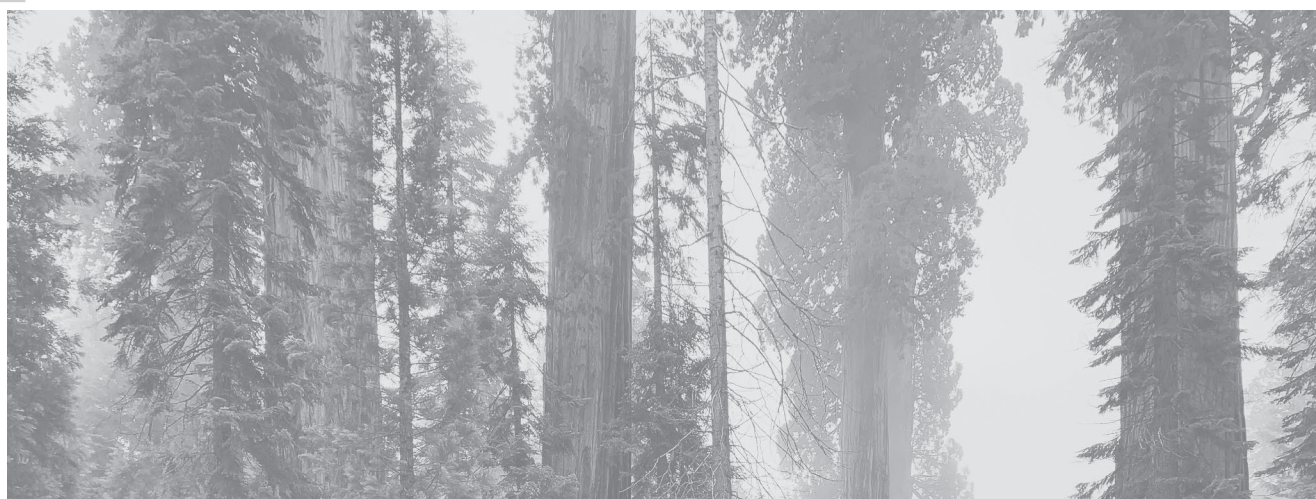
| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Audit services - William Buck Audit (Vic) Pty Limited | | |
| Audit or review of the financial statements | 163,561 | 158,500 |
| Other services - William Buck (Vic) Pty Limited | | |
| Tax services | 18,253 | 18,515 |
| Other services | 24,212 | 19,153 |
| | 42,465 | 37,668 |
| | 206,026 | 196,168 |

NOTE 27. CONTINGENT LIABILITIES

The Group has given bank guarantees as at 30 June 2022 of \$723,469 (30 June 2021: \$677,238) in relation to rental bonds. These are held in term deposit accounts with Westpac Banking Corporation.

The Group's legal counsel is currently acting on several matters referred to the Australian Financial Complaints Authority ('AFCA') relating to the provision of financial services to its retail clients. The Group has assessed any potential obligations relating to these complaints after pursuing a recourse from the advisers in the following manner:

- Those complaints for which there is a probable likelihood of restitution being paid, have been accrued in these financial statements, together with any associated legal costs and net of any available insurance cover; and
- The Directors have assessed complaints for which there is less than a probable likelihood of restitution (including the impact of legal costs and insurance), and have chosen not to disclose the likely amount as they are still subject to proceedings with AFCA and potential recourse from the advisers, and the disclosure of such amounts is likely to prejudice those proceedings.



NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Sequoia Financial Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

During the financial year, \$122,580 (30 June 2021: \$71,726) was paid or payable for services provided by Cooper Grace Ward, a related party entity of director, Charles Sweeney. This is not deemed personal remuneration.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 29. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|-------------|-------------|
| | 2022 \$ | 2021 \$ |
| Loss after income tax | (1,629,219) | (1,236,360) |
| Total comprehensive income | (1,629,219) | (1,236,360) |

NOTE 29. PARENT ENTITY INFORMATION (CONTINUED)

Statement of financial position

| | Parent | |
|---|--------------|--------------|
| | 2022 \$ | 2021 \$ |
| Total current assets | 138,094 | 715,334 |
| Total assets | 84,613,580 | 75,740,720 |
| Total current liabilities | 4,034,094 | 2,991,480 |
| Total liabilities | 54,934,380 | 44,662,579 |
| Equity | | |
| Issued capital | 90,424,345 | 87,457,293 |
| Financial assets at fair value through other comprehensive income reserve | 46,070 | 46,070 |
| Share-based payments reserve | 169,245 | 276,828 |
| Accumulated losses | (60,960,460) | (56,702,050) |
| Total equity | 29,679,200 | 31,078,141 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity has considerations payable relating to the acquisitions of Argent Insurance Brokers, Informed Investor group and a client book purchased during the last financial year.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 30. BUSINESS COMBINATIONS

2022

Argent Insurance Brokers Pty Ltd ('Argent')

On 19 November 2021, the Group successfully completed the acquisition of 100% of shares in Argent Insurance Brokers Pty Ltd (which holds a general insurance AFSL), the customer books of Tag Insurance Brokers Pty Ltd and Windsor Funding Pty Ltd (which are related businesses to Argent Insurance Brokers) and its associated business assets. Argent Insurance Brokers Pty Ltd has been renamed to Sequoia Insurance Brokers Pty Ltd.

The acquisition consideration is estimated at \$2.5 million and payable in cash over a 15 month period. The last tranche payment is subject to revenue targets being achieved.

During the year ended 30 June 2022, Sequoia Insurance Brokers Pty Ltd contributed revenue of \$965,002 and operating profit of \$318,026. If the acquisition had happened at the beginning of the financial year, the revenue and operating profit would have been the same, as this entity had not started operating prior to acquisition.

Docscentre Legal Pty Ltd ('Docscentre Legal')

On 10 January 2022, Sequoia Financial Group successfully completed the acquisition of 100% of shares in the legal practice previously known as Topdocs Legal Pty Ltd, renamed to Docscentre Legal Pty Ltd, which is based in Melbourne. This acquisition will enhance the Group's existing document businesses. The total consideration of \$330,000 was paid in cash.

Informed Investor group ('Informed Investor')

On 6 April 2022, the Group successfully completed the acquisition of 100% of shares in the Informed Investor group of businesses, comprising of Informed Investor Pty Ltd, Corporate Connect Research Pty Ltd and ShareCafe Pty Ltd. The Informed Investor group provides media, research, digital distribution and technology services to advisers and investors.

On completion of the acquisition, as part payment of the consideration, the Company issued 2,720,723 fully paid ordinary shares at 70 cents per share to the sellers, representing a fair value of \$1,904,506, and paid cash of \$1,132,885. A contingent consideration of shares is to be issued in February 2023. The contingent consideration is tiered according to revenue targets being met, but has been capped at 3,128,831 fully paid ordinary shares at 70 cents per share, representing a fair value of \$2,190,182.

During the year ended 30 June 2022, the Informed Investor group contributed revenue of \$509,201 and operating profit of \$95,736. If the acquisition had happened at the beginning of the financial year, the contribution would have been revenue of \$1,555,815 and operating loss of \$145,215.

NOTE 30. BUSINESS COMBINATIONS (CONTINUED)

Details of the acquisitions are as follows:

| | Argent | Docscentre Legal | Informed Investor Provisional* | Total |
|--|------------------|---------------------|--------------------------------------|-------------|
| | Fair value \$ | Fair value \$ | Fair value \$ | \$ |
| Cash and cash equivalents | - | 176,748 | 101,518 | 278,266 |
| Trade and other receivables | - | 880 | 119,902 | 120,782 |
| Income tax refund due | - | 518 | - | 518 |
| Plant and equipment | - | - | 10,386 | 10,386 |
| Customer list | 2,448,749 | - | - | 2,448,749 |
| Other intangible assets | - | - | 74,788 | 74,788 |
| Trade and other payables | - | (26,821) | (147,755) | (174,576) |
| Deferred tax liability | (734,625) | - | - | (734,625) |
| Employee benefits | - | (14,831) | - | (14,831) |
| Convertible notes | - | - | (335,000) | (335,000) |
| Net assets/(liabilities) acquired | 1,714,124 | 136,494 | (176,161) | 1,674,457 |
| Goodwill** | 785,876 | 193,506 | 5,403,734 | 6,383,116 |
| Acquisition-date fair value of the total consideration transferred | 2,500,000 | 330,000 | 5,227,573 | 8,057,573 |
| Representing: | | | | |
| Cash paid or payable to vendor | 1,750,000 | 330,000 | 1,132,885 | 3,212,885 |
| Sequoia Financial Group Limited shares issued to vendor | - | - | 1,904,506 | 1,904,506 |
| Contingent consideration | 750,000 | - | 2,190,182 | 2,940,182 |
| | 2,500,000 | 330,000 | 5,227,573 | 8,057,573 |
| Acquisition costs expensed to profit or loss | 53,671 | - | 71,081 | 124,752 |
| Cash used to acquire business, net of cash acquired: | | | | |
| Acquisition-date fair value of the total consideration transferred | 2,500,000 | 330,000 | 5,227,573 | 8,057,573 |
| Less: cash and cash equivalents | - | (176,748) | (101,518) | (278,266) |
| Less: contingent consideration | (750,000) | - | (2,190,182) | (2,940,182) |
| Less: shares issued by Company as part of consideration | - | - | (1,904,506) | (1,904,506) |
| Add: payment of convertible notes | - | - | 335,000 | 335,000 |
| Net cash used | 1,750,000 | 153,252 | 1,366,367 | 3,269,619 |

* Provisional values assigned to assets and liabilities may be altered until 5 April 2023.

** Goodwill is not expected to be deductible for tax purposes.

NOTE 31. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Wholly owned subsidiaries

| Name | | Principal place of business / Country of incorporation | Parent | |
|--|--------|--|---------------------------|---------------------------|
| | | | Ownership interest 2022 % | Ownership interest 2021 % |
| Sequoia Financial Group Limited | | Australia | 100% | 100% |
| Sequoia Financial Australia Ltd | (a) | Australia | 100% | 100% |
| The Cube Financial Group Pty Ltd | (a) | Australia | 100% | 100% |
| Trade Dealer Online Pty Ltd | (a) | Australia | 100% | 100% |
| MDSnews.com Pty Ltd | (a) | Australia | 100% | 100% |
| Sequoia Group Holdings Pty Ltd | (a)(1) | Australia | 100% | 100% |
| My Own Super Fund Pty Ltd | (a) | Australia | 100% | 100% |
| Sequoia Wealth Group Pty Ltd | (a) | Australia | 100% | 100% |
| Docscentre Pty Ltd | (a) | Australia | 100% | 100% |
| Informed Investor Pty Ltd | (a) | Australia | 100% | - |
| Sequoia Insurance Brokers Pty Ltd | (a) | Australia | 100% | - |
| Sequoia Lending Pty Ltd | (b) | Australia | 100% | 100% |
| Acacia Administrative Services Pty Ltd | (b)(2) | Australia | 100% | 100% |
| Sequoia Direct Pty Ltd | (b) | Australia | 100% | 100% |
| Morrison Securities Pty Ltd | (b) | Australia | 100% | 100% |
| Sequoia Specialist Investments Pty Ltd | (b) | Australia | 100% | 100% |
| Sequoia Asset Management Pty Ltd | (b) | Australia | 100% | 100% |
| Morsec Nominees Pty Ltd | (c) | Australia | 100% | 100% |
| Sequoia Nominees No.1 Pty Ltd | (d) | Australia | 100% | 100% |
| Sequoia Home Loans Pty Ltd | (e) | Australia | 100% | - |
| Sequoia Family Office Pty Ltd | (f)(4) | Australia | 100% | 100% |
| Sequoia Wealth Management Pty Ltd | (f) | Australia | 100% | 100% |
| Sequoia Corporate Finance Pty Ltd | (f) | Australia | 100% | 100% |
| Libertas Financial Planning Pty Ltd | (f)(5) | Australia | 100% | 100% |
| InterPrac Financial Planning Pty Ltd | (f)(6) | Australia | 100% | 100% |
| Sage Capital Group Pty Ltd | (f)(4) | Australia | 100% | 100% |
| Interprac Securities Pty Ltd | (f)(4) | Australia | 100% | 100% |
| Australian Practical Superannuation Fund Pty Ltd | (g) | Australia | 100% | 100% |
| Interprac General Insurance Pty Ltd | (g) | Australia | 100% | 100% |
| Tax Engine Pty Ltd | (g) | Australia | 100% | 100% |
| PantherCorp CST Pty Ltd | (g) | Australia | 100% | 100% |
| Docscentre Legal Pty Ltd | (g) | Australia | 100% | - |

NOTE 31. INTERESTS IN SUBSIDIARIES (CONTINUED)

| Name | | Principal place of business / Country of incorporation | Parent | |
|--|-------------|--|---------------------------|---------------------------|
| | | | Ownership interest 2022 % | Ownership interest 2021 % |
| Bourse Data Pty Ltd | (h) (5) | Australia | 100% | 100% |
| Finance TV Pty Ltd | (h) (3) | Australia | 100% | 100% |
| Corporate Connect Research Pty Ltd | (h) | Australia | 100% | - |
| ShareCafe Pty Ltd | (h) | Australia | 100% | - |
| Yieldreport Pty Ltd | (i) (4) | Australia | 100% | 100% |
| Sequoia Superannuation Pty Ltd | (j) (3) | Australia | 100% | 100% |
| SMSF Engine Pty Ltd | (j) (4) | Australia | 100% | 100% |
| Sequoia Premium Funding Pty Ltd (formerly Interprac Corporate Insurance Pty Ltd) | (k) (9) | Australia | 100% | 100% |
| Centreboard Super Pty Ltd | (b) (g) (7) | Australia | - | 100% |

Non-wholly owned subsidiaries

| Name | | Principal place of business / Country of incorporation | Parent | | Non-controlling interest | |
|-----------------------|-----|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | | | Ownership interest 2022 % | Ownership interest 2021 % | Ownership interest 2022 % | Ownership interest 2021 % |
| TakingControl Pty Ltd | (8) | Australia | 50% | 50% | 50% | 50% |

(a) Subsidiary of Sequoia Financial Group Limited

(b) Subsidiary of Sequoia Group Holdings Pty Ltd

(c) Subsidiary of Morrison Securities Pty Ltd

(d) Subsidiary of Sequoia Specialist Investments Pty Ltd

(e) Subsidiary of Sequoia Asset Management Pty Ltd

(f) Subsidiary of Sequoia Wealth Group Pty Ltd

(g) Subsidiary of Docscentre Pty Ltd

(h) Subsidiary of Informed Investor Pty Ltd

(i) Subsidiary of Finance TV Pty Ltd

(j) Subsidiary of My Own Super Fund Pty Ltd

(k) Subsidiary of Sequoia Insurance Brokers Pty Ltd

(1) Formerly a subsidiary of Sequoia Financial Australia Pty Ltd

(2) Acacia Administrative Services Pty Ltd acts as a service entity for the Group with all employees engaged under this entity

(3) Formerly a subsidiary of Sequoia Group Holdings Pty Ltd

(4) Formerly a subsidiary of Docscentre Pty Ltd

(5) Formerly a subsidiary of Sequoia Financial Group Limited

(6) Formerly 50% owned by Docscentre Pty Ltd and 50% owned by Sage Capital Group Pty Ltd

(7) Deregistered in July 2021. Formerly 50% owned by Sequoia Group Holdings Pty Ltd and 50% owned by Docscentre Pty Ltd

(8) Docscentre Pty Ltd owns 50% of Taking Control Pty Ltd

(9) Formerly a subsidiary of Interprac General Insurance Pty Ltd

NOTE 32. CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash from operating activities

Consolidated

2022
\$

2021
\$

| | | |
|---|-------------|--------------|
| Profit after income tax expense for the year | 5,714,296 | 5,548,262 |
| Adjustments for: | | |
| Depreciation and amortisation | 3,385,318 | 3,009,359 |
| Net fair value loss/(gain) on investments | 614,805 | (846,985) |
| Share-based payments | 203,677 | 290,764 |
| Net loss on disposal of non-current assets | - | (23,626) |
| Interest for lease accounting | 68,070 | 126,560 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (553,187) | 165,876 |
| Decrease/(increase) in client related receivables | 2,198,337 | (20,372,197) |
| Decrease in contract assets and deferred costs | 1,660,629 | 3,695,294 |
| Decrease/(increase) in inventories | 6,760 | (30,384) |
| Decrease in deferred tax assets | 56,216 | 1,210,783 |
| Decrease/(increase) in prepayments | 32,603 | (76,831) |
| Decrease/(increase) in other operating assets | (37,678) | 21,460 |
| Increase in trade and other payables | 707,834 | 139,060 |
| Increase/(decrease) in client related payables | (3,513,646) | 28,358,524 |
| Decrease in contract liabilities and deferred revenue | (2,358,471) | (5,802,747) |
| Increase/(decrease) in provision for income tax | (683,765) | 351,658 |
| Increase/(decrease) in deferred tax liabilities | 637,562 | (1,071,110) |
| Increase in employee benefits | 104,459 | 1,309,787 |
| Increase in other operating liabilities | 2,278,760 | 723,679 |
| Net cash from operating activities | 10,522,579 | 16,727,186 |

NOTE 32. CASH FLOW INFORMATION (CONTINUED)

Changes in liabilities arising from financing activities

| Consolidated | Capital finance and other loans \$ | Lease liability \$ | Total \$ |
|---|--|--------------------------|-------------|
| Balance at 1 July 2020 | 462,414 | 3,632,287 | 4,094,701 |
| Net cash used in financing activities | (145,161) | (862,297) | (1,007,458) |
| Changes through business combinations (note 30) | - | 84,328 | 84,328 |
| Interest on lease liability | - | 125,020 | 125,020 |
| Balance at 30 June 2021 | 317,253 | 2,979,338 | 3,296,591 |
| Net cash used in financing activities | (808,430) | (889,270) | (1,697,700) |
| Additions | 982,054 | 314,072 | 1,296,126 |
| Interest on lease liability | - | 101,699 | 101,699 |
| Other changes | (100) | (68,924) | (69,024) |
| Balance at 30 June 2022 | 490,777 | 2,436,915 | 2,927,692 |

NOTE 33. EARNINGS PER SHARE

| | Consolidated | |
|---|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Profit after income tax attributable to the owners of Sequoia Financial Group Limited | 5,714,296 | 5,548,262 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 133,001,089 | 128,315,340 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 2,000,000 | 4,150,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 135,001,089 | 132,465,340 |
| | Cents | Cents |
| Basic earnings per share | 4.296 | 4.324 |
| Diluted earnings per share | 4.233 | 4.188 |

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2022, the Company declared a final dividend for the year ended 30 June 2022 of 0.90 cents per share, fully franked. The record date for determining entitlements to the dividend is 12 September 2022 and is to be paid on 10 October 2022. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial periods. Estimated total dollar value based on number of shares at 30 June 2022 is \$1,226,517. No Dividend Reinvestment Plan is applicable (refer note 20).

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read "JL", written over a horizontal line.

John Larsen
Chairman

18 August 2022
Sydney

WilliamBuck

ACCOUNTANTS & ADVISORS

Sequoia Financial Group Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sequoia Financial Group Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Level 20, 181 William Street, Melbourne VIC 3000

+61 3 9824 8555

vic.info@williambuck.com
williambuck.com.au

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Audit Report - Sequoia Financial Group Ltd

WilliamBuck

ACCOUNTANTS & ADVISORS

| BUSINESS COMBINATIONS | |
|---|---|
| Area of focus | How our audit addressed it |
| <p>The Group acquired the issued share capital of Argent Insurance Brokers Pty Ltd, Docscentre Legal Pty Ltd and Informed Investor Pty Ltd during the year ended 30 June 2022. The business combinations were considered significant acquisitions for the group. Areas of complexity for this transaction were around the following:</p> <ul style="list-style-type: none"> — Determining the acquired entities met the accounting definition of a business; — Accounting and appropriately fair valuing initial consideration paid and subsequent deferred and contingent consideration paid for the transaction, including amounts paid through cash and scrip; — Identifying, measuring and allocation of provisional goodwill and intangible assets acquired to the appropriate cash-generating unit (CGU); — Appropriately measuring and classifying in the profit or loss transaction costs relating to each acquisition; — Recognition and measurement of deferred tax asset or liability arising from the assets and liabilities acquired; and — Setting an appropriate accounting policy for the amortisation of identifiable intangible assets arising from the purchase. <p>Accounting for business combinations were considered a key audit matter due to the complexity of the arrangement and judgements in measuring fair values.</p> <p>The Group has disclosed in note 30 of the financial statements details of the business combinations including the fair values of net assets acquired.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reviewing the acquisition agreements to understand the key terms and conditions of the acquisitions including consideration arrangements; — Reviewing the accounting treatment adopted by the Group to assess if the transaction met the requirements of AASB 3 <i>Business Combinations</i>; — Comparing the completion accounting of net assets acquired to independent purchase price allocation reports; — Obtaining and testing a sample of transaction costs related to the acquisitions to assess if appropriate treatment in being expensed when incurred; — Discussing with management their program for finalising their analysis of fair values of identified assets and liabilities acquired by the anniversary of the acquisition date; — Obtaining the goodwill and intangible asset allocation journals processed and reviewed for appropriateness of recognition and valuation and assessed the qualification of the independent valuation specialist; — Verifying and reviewing deferred tax bases to income tax calculations; and — Assessing the appropriateness of the allocation of intangible assets to their CGU, as included in the Group's impairment calculations. <p>We also considered the adequacy of the Group's disclosures in relation to the business combinations.</p> |

WilliamBuck

ACCOUNTANTS & ADVISORS

| REVENUE RECOGNITION FOR SEQUOIA SPECIALIST INVESTMENTS PRODUCTS | |
|---|---|
| Area of focus | How our audit addressed it |
| <p>The Sequoia Specialist Investments operating segment (SSI) represents a significant portion of the revenues and profitability of the Group. SSI earns revenue by issuing structured financial products principally being commodities, foreign exchange and equities.</p> <p>SSI effectively on-sells the financial exposure it has with its clients to Tier 1 investment banks with derivative contracts that completely match that derivative exposure.</p> <p>The revenue margin it earns from this arrangement is priced separately and is deferred (together with direct costs) on a straight-line over the course of each contract on a gross basis in the financial statements (deferred costs and deferred revenue). The derivative positions are held at fair value on the statement of financial position.</p> <p>The key risks for this arrangement include the following matters:</p> <ul style="list-style-type: none"> - The risk that client-driven derivative exposures are not matched 1-for-1 with wholesale contracts; - The risk of credit default by the investment banks providing wholesale derivative hedge positions; and - The potential for revenue to be recognised in-advance of the services provided to the client, including other revenues related with SSI including non-refundable application fees, which are earned up-front and at-risk coupon fees, which are earned at the close of each contract. <p>This matter was considered a key audit matter due to the significance of the balance and the complexity of contractual arrangements. The Group has disclosed in note 2, note 23 and note 24 respectively its revenue recognition accounting policy, financial instrument risks and fair value measurement.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — For a sample of structured products, we agreed the terms and conditions, including but not limited to, interest rates, notional hedged units, product maturity, trade dates and hedge premiums paid to supporting documents, including Product Disclosure Statements, Market-to-Market (MTM) valuations, Market registry allotment reports and bank statements. — We confirmed the valuations of the derivative financial instruments at year end through to supporting valuations obtained directly from relevant investment banks. — Performed an assessment for the appropriateness of management's product model to recognise deferral and recognition of revenue and costs; — An assessment of the credit worthiness of the investment banks; — We tested a sample of application fees and coupon fees and vouched that they were accrued to the appropriate accounting period; and — We tested the reasonableness of the current and non-current classification of deferred revenue and deferred costs to underlying support. <p>We assessed the reasonableness of the Group's financial statement disclosures in relation to revenue recognition and reported segments in accordance with AASB 8 <i>Operating Segments</i>.</p> |

WilliamBuck

ACCOUNTANTS & ADVISORS

| ASSESSMENT OF CARRYING VALUE OF GOODWILL AND INTANGIBLE ASSETS | |
|---|--|
| Area of focus | How our audit addressed it |
| <p>The Group's non-current assets include a significant carrying value attributed to goodwill and intangible assets, the majority of which have originated from acquisitions.</p> <p>There is a risk that the entities in the Group may not trade in line with financial forecasts, resulting in the carrying amount of goodwill and intangible assets exceeding the recoverable amount and therefore requiring impairment.</p> <p>The recoverable amounts of the four cash generating units (CGUs) have been calculated based upon on their value-in-use. These recoverable amounts use discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, discount rates applied, long term growth rates and inflation rates.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p> <p>The Group has disclosed in note 14 the Group's impairment approach, including significant underlying assumptions and the results of its assessment.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessment of the Group's determination of CGUs. This included reviewing internal management reporting, comparison to our knowledge and understanding of Group's operations and confirming CGUs are no larger than operating segments; — A detailed evaluation of the Group's budgeting procedures upon which the forecasts are based and testing the principles and reasonableness of the discounted future cash flow models; — Testing the mathematical accuracy of the calculation derived from each cash flow forecast model and we assessed key inputs in the calculations such as revenue growth, discount rates and working capital assumptions, by reference to the Board approved forecasts, data external to the Group and our own views; and — Performing sensitivity analysis in respect of assumptions noted above to ascertain the extent of changes in those assumptions which would materially impact the recoverable amount of the CGUs. <p>We assessed the appropriateness of the Group's financial reporting disclosures in relation to the impairment testing approach and input assumptions.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

WilliamBuck

ACCOUNTANTS & ADVISORS

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Sequoia Financial Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

William Buck

ACCOUNTANTS & ADVISORS

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Yours Faithfully

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in black ink, appearing to read "N. S. Benbow".

N. S. Benbow
Director

Melbourne, 18 August 2022

In accordance with the ASX listing rule 4.10, the Company provides the following information to shareholders not disclosed elsewhere in this Annual Report. The information is current as at 1 August 2022 ('reporting date').

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---|-------------------|--------------------------|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 81 | 0.03 |
| 1,001 to 5,000 | 148 | 0.31 |
| 5,001 to 10,000 | 78 | 0.43 |
| 10,001 to 100,000 | 220 | 6.24 |
| 100,001 and over | 128 | 92.99 |
| | 655 | 100.00 |
| The number of holders of less than a marketable parcel of ordinary shares as at the reporting date (less than \$500, based on the share price of \$0.557) is: | | |
| | 59 | 0.02 |

Voting rights

The only class of equity securities on issue in the Company that carries voting rights is ordinary shares.



EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The Company has only one class of quoted securities, being ordinary shares. The names of the twenty largest security holders of quoted equity securities are listed below:

Ordinary shares

| | Number held | % of total shares issued |
|---|-------------|--------------------------|
| MR GARRY CROLE | 11,036,137 | 8.10 |
| UNRANDOM PTY LTD | 10,724,746 | 7.87 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 9,233,931 | 6.78 |
| COJONES PTY LTD | 7,742,988 | 5.68 |
| BNP PARIBAS NOMS PTY LTD | 4,818,111 | 3.54 |
| HUNTLEY GROUP INVESTMENTS PTY LTD | 4,439,973 | 3.26 |
| EXLDATA PTY LTD | 3,717,533 | 2.73 |
| TOCLO INVESTMENTS PTY LTD | 3,564,894 | 2.62 |
| STRATEGIC VALUE PTY LTD | 3,229,384 | 2.37 |
| MR NEIL CLIFFORD DUNCAN | 3,031,000 | 2.22 |
| LIBERTAS SOLUTIONS PTY LTD | 2,710,000 | 1.99 |
| BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 2,300,000 | 1.69 |
| Mr PETER STIRLING + Mrs ROS STIRLING | 2,237,500 | 1.64 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,146,508 | 1.58 |
| TRIFERN PTY LTD | 2,105,541 | 1.55 |
| TIBARRUM PTY LTD | 1,885,000 | 1.38 |
| Mr TIM PADRAIC MCGOWEN | 1,807,116 | 1.33 |
| DMX CAPITAL PARTNERS LIMITED | 1,783,289 | 1.31 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 1,715,102 | 1.26 |
| Mr ANTHONY CHRISTOPHER JONES | 1,549,952 | 1.14 |
| | 81,778,705 | 60.04 |

Unquoted equity securities

Distribution of options over ordinary shares is as follows:

Distribution

Options over ordinary shares issued

1 to 100,000

100,001 and over

| | Number on issue | Number of holders |
|------------------|-----------------|-------------------|
| 1 to 100,000 | 100,000 | 1 |
| 100,001 and over | 1,900,000 | 6 |
| | 2,000,000 | 7 |

SUBSTANTIAL HOLDERS

As at the reporting date, the names of the substantial holders in the Company as disclosed in the substantial holding notices given to the Company are as follows:

| | Number of ordinary shares disclosed |
|----------------------|-------------------------------------|
| Cojones Pty Ltd | 13,817,804 |
| Unrandom Pty Ltd | 11,974,738 |
| Mr Garry Crole | 11,401,500 |
| Acorn Capital Ltd | 8,342,474 |
| Anthony & Ryan Young | 7,096,147 |

SECURITIES SUBJECT TO VOLUNTARY ESCROW

Distribution of ordinary shares subject to escrow is as follows:

| Distribution | Expiry date | Number of shares | Number of holders |
|------------------|--------------|------------------|-------------------|
| Ordinary shares | | | |
| 100,001 and over | 5 April 2023 | 2,409,442 | 3 |

OTHER INFORMATION

The Company commenced an on-market share buy-back starting from 25 May 2022 and ending 24 May 2023.

There are no issues of securities approved for the purpose of item 7 of section 611 of the Corporations Act, which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Directors

Garry Crole
John Larsen
Kevin Pattison
Charles Sweeney

Company Secretaries

Rebecca Weir
Lizzie Tan

Notice of annual
general meeting

The Company advises that its Annual General Meeting will be held on or around 23 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after dispatch. In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5:00pm (AEST) on 5 October 2022.

Registered office

Level 7
7 Macquarie Place
Sydney NSW 2000
Telephone: + 61 2 8114 2222
Facsimile: + 61 2 8114 2200

Principal place of business

Level 8
525 Flinders Street
Melbourne VIC 3000

Share registry

Registry Direct
Level 6
2 Russell Street
Melbourne VIC 3000
Telephone: 1300 556 635
Facsimile: + 61 3 9111 5652

Auditor

William Buck
Level 20
181 William Street
Melbourne VIC 3000

Bankers

National Australia Bank

330 Collins Street

Melbourne VIC 3000

Westpac Australia Bank

Royal Exchange, Cnr Pitt & Bridge Streets

Sydney NSW 2000

Maldon & District Community Bank® Branch of Bendigo Bank

81 High Street

Maldon VIC 3463

Macquarie Bank Limited

Level 32, South Tower

80 Collins Street

Melbourne VIC 3000

Australia and New Zealand Banking Group Limited

388 Collins Street

Melbourne VIC 3000

Stock exchange listing

Sequoia Financial Group Limited shares are listed on the Australian Securities Exchange (ASX code: SEQ)

Website

www.sequoia.com.au

Corporate Governance Statement

The Board of Directors of Sequoia Financial Group Limited is committed to maintaining high standards of Corporate Governance. This Corporate Governance Statement discloses the extent to which the Company has followed the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles and Recommendations').

The Corporate Governance Statement has been adopted by the Board and is current as at 18 August 2022. In accordance with ASX Listing rules 4.10.3 and 4.7.4, the corporate governance statement will be available for review on the Company's website, www.sequoia.com.au/about-sequoia/corporate-governance/, and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with the ASX.