Annual Report

30.06.19

infocus

Infocus Wealth Management ltd.
ABN: 28 103 551 015

About us

Infocus Wealth Management Limited (Infocus) is a national wealth management organisation.

The Infocus Group's Vision revolves around the provision, implementation and ongoing management of good financial advice. Good financial advice makes a material difference in the lives of our clients and we believe everyone has the right to good financial advice.

Starting in 1994 as a successful financial advice practice based on Queensland's Sunshine Coast, we have since grown a national footprint of 160 financial advisers and 25 mortgage brokers within our dealer group network, buoyed with a strategic complement of company-owned advisory operations. We are an organisation proud of our foundations, where our values of partnership, teamwork, innovation, leadership and integrity are more than simply catch-cries.

At 30 June 2019 our team has grown to circa 90 staff with operations spanning personal advice (financial, accounting, lending and property), investment management and financial technology ('Fintech'). Infocus offers a true "one-stop-shop" financial advisory service to its valued clients.

Infocus is proudly an advice-led organisation with the culture, scale and systems (including our renowned Fintech solution Platformplus) to support and accelerate the growth of our business, as well as those businesses of our advisers. We approach our financial advice offering from a holistic perspective, recognising the value of broader services such as accounting and taxation, lending, property advisory, estate planning and business advisory. Collectively, we work to create thriving advice operations that are efficient, effective, and ultimately, firmly focused on client outcomes.

Together, we aim to make a positive difference in the lives of our customers through the provision of quality advice.

Benefits of Financial Advice

"The right kind of financial advice can really make a big difference. It can help you:

- Set your financial goals and achieve them;
- Make the most of your money;
- Get any government assistance you're entitled to;
- Feel more in control of your finances and your life;
- Avoid expensive mistakes; and
- Protect your assets.

Financial advice can give you confidence that your future plans are achievable. If you're not on track to achieving your goals, financial advice can help you put the right strategies in place, or come up with more realistic goals."

* Quote from ASIC 'Money Smart' website

Key Operations

Financial Advice

Infocus is first and foremost an advice business.

Financial advice is provided by Infocus through two distinct yet complementary channels. As an Australian Financial Services License (AFSL) and an Australian Credit License (ACL) holder, Infocus licenses leading self-employed financial advisers and provides them with the systems, software, business processes and training to enable them to deliver high quality financial advice to their clients.

Infocus complements this network with salaried advisers in strategically selected geographic and demographic markets to fulfil its nationwide service offering.

The holistic suite of services offered through Infocus includes:

- Financial Advice
  - Investment and Wealth Creation
  - Superannuation and SMSF Services
  - Personal Insurance and Income Protection
  - Retirement Planning
  - Cash Flow Management
- Accounting, Taxation and Business Advisory
- Lending Advisory
- Property Advisory

Investment Management

Through our investment management subsidiary Alpha Investment Management ('Alpha'), we directly manage a series of specialised investment opportunities on behalf of retail clients: the Alpha Fund Series.

Alpha identifies high quality investment managers in Australia and internationally, and sources these managers to become part of a 'multi-manager' investment structure. That is, each Alpha Fund includes a mix of high-quality underlying fund managers carefully selected and blended to optimise investment performances within a defined risk.

The Alpha Fund Series invests in Blue Chip Australian Equities, Small Cap Australian Equities, Global Equities, Property Securities, Fixed Interest Securities, Alternative Investments, Enhanced Yield and Infrastructure Investments. These funds form part of a range of integrated investment solutions, developed by the Infocus Group Research team, that are available exclusively to clients of Infocus.

During FY19 the Alpha team developed a suite of Separately Managed Account (SMA) services which are an investment management structure that effectively automates the model portfolios. SMAs will help deliver even better client outcomes while significantly improving the efficiency of the advice process. These SMA services are scheduled to launch in early FY20.

Financial Technology

A cornerstone of the success of Infocus is our proprietary fintech solution, Platformplus.

Platformplus is purpose-built wealth technology software that delivers CRM, financial advice process management, adviser business management and client engagement solutions. With 15+ years of development on the core system, there is a depth of functionality and process understanding within Platformplus that surpasses most alternate systems and gives Infocus a distinct competitive advantage in the broader marketplace.

Platformplus is proven to help transform financial advice practices into systems and process driven businesses, thereby assisting to improve service delivery to clients. Importantly, Platformplus also provides rich insight into the advice process and customer experience, including automated benchmarking and reporting, and a real-time, 24/7 client portal for online engagement and sharing of compliance and investment-related information between advisers and clients.

The Infocus Group enterprise risk model is also embedded into Platformplus, allowing efficient monitoring and supervision of all advisers using the software. This is incredibly powerful in an increasingly assertive regulatory environment.

Platformplus is used by all Infocus licensed advisers, as well as being licensed to a number of external financial advisers and advice groups nationally.

Annual Achievements

The 2019 financial year saw the company continue to focus on its core strategies whilst managing the effects of, and opportunities from, ongoing industry change, disruption and dislocation.

The past year has been one of significant industry change, driven by the commencement of elements of the FASEA regime and the outcomes Hayne Royal Commission into financial services. This change has driven, and continues to drive material disruption and industry dislocation, highlighted by the actual and announced exit from the financial advice industry by many of the banking and institutional players. This disruption provided us with opportunities for growth, which we prudently exploited.

During FY19 the company continued the implementation of the turn-around process commenced mid-way through the 2018 financial year. This included discontinuing opportunities that did not align to our core business, while seeking appropriate growth and development aligned to our over-arching strategy.

The outcomes from focused delivery on our strategy over the last 12 months include:

- We completed the merge of our aligned financial advisers into one AFS;
- We grew adviser numbers by 7% compared to an industry decline of over 7%;
- We grew brokerage earned and paid to financial advisers by 8% and grew Funds under Advice by 20%;
- We materially enhanced our investment management and advisory capability with a renewed focus on our investment philosophy under a new investment management team;
- We modernised our Alpha Funds and have developed a suite of SMAs that will be launched on several leading industry platforms during FY20 which will see enhanced service and efficiency benefits to both financial advisers and their clients;
- We merged our salaried advice businesses into one, implementing a single operating model and now have more consistent service offerings and advice processes in each of our salaried adviser offices (Sydney, Melbourne, Brisbane and Sunshine Coast); and
- We divested the salaried advice businesses in North Queensland and Frankston.

The work undertaken during the 2019 financial year led to an increase in EBITDA of $730k over the previous year (after adjusting for the fair value gain on deferred and contingent consideration recognised in FY18 and FY19). Further, we strengthened our balance sheet by reducing bank debt by $1.6m, reducing total liabilities by $3.7m, and increasing our net assets by $3.4m.

During the 2019 financial year, Infocus solidified its position as one of the premier wealth management groups in Australia.

Summary

Infocus' strategic initiatives guide the implementation of our strategy plan. A summary of achievements for the year are as follows:

Strategic initiative	Results
Growth	• Gross revenue up 4% on prior corresponding period ('pcp') to $58.5 million; • Risk premiums under advice (RPUA) up 3% to $88.7 million; • Growth in total financial advisers by 7% to 160; • Growth in Funds under Advice by 20% to $5.9 billion; and • Increase in net assets of $3.4 million.
Operational Excellence	• Completion of the merger of the Infocus and PATRON Financial Advice networks into a single operating AFS Licensee structure; • The development of a suite of Separately Managed Accounts; • Significant progress with the Advice Excellence Project, a project designed to make it easier to do business via the development and implementation of a best practice client engagement framework; • Successful roll-out of a new risk-based audit approach for ensuring compliance with legal, regulatory and professional obligations along with a best practice advisory process; and • Quality systems and processes facilitated the successful re-negotiation of the Group's professional indemnity insurance coverage for the underwriting year to 19 April 2020, resulting in annual premiums per adviser remaining at levels consistent with the prior year – our 5th year in a row without increase.
Trust and Teamwork	• Appointment of 4 key new senior executives to the management team in the roles of Chief Operating Officer, Chief Investment Officer, Head of Professional Standards & Technical Services, and Head of Strategy and Marketing; and • Employee Survey shows high levels of employment satisfaction.
Partnership	• We achieved an exceptional rate of retention of self-employed advisers with zero regrettable losses during the period. While there were some departures, these related to advisers retiring as well as a couple of advisers who were revoked by the company. In the majority of cases of the retiring advisers we were able to retain their businesses within our network. In total the departing advisers accounted for less than 2% of the prior year's gross brokerage; • iCON18, our annual adviser conference was held in Melbourne in the last week of October. Based on feedback from delegates it was the most successful conference in the history of the company; and • An extremely high level of adviser participation in professional development and ongoing education activities.

Results Summary

	FY19 ($,000)	FY18 ($,000)	Change from FY18 (%)	FY17 ($,000)
Gross revenue	$58,241	$56,047	+4%	$54,295
Brokerage payments and related costs	$(40,046)	$(36,947)	+8%	$(39,905)
Net revenue	$18,195	$19,100	-5%	$14,390
EBITDA[1]	$2,584	$2,991	-13%	$1,680
less other income	$(296)	$(1,339)	-78%	Nil
Operating profit	$2,288	$1,652	+38%	$1,680
less interest	$(885)	$(809)	+9%	$(382)
less depreciation and amortisation	$(1,065)	$(1,176)	-9%	$(710)
less impairment	Nil	$(356)	n/a	Nil
add other income	$296	$1,339	-78%	Nil
NPBT	$634	$650	-2%	$588
NPAT	$465	$843	-45%	$491
EPS	$0.011	$0.021	-47%	$0.013

1 Includes other income as per statement of profit or loss and other comprehensive income and as per Note 4 to the financial statements

	FY19	FY18	Change (%)	FY17
FUA	$5.9b	$4.9b	+20%	$4.1b
RPUA	$88.7m	$86.1m	+3%	$75.1m
Offices	100	92	+9%	116
Advisers	160	149	+7%	141

Chairman's Report

Dear Shareholder

During the past 12 months we have seen significant changes in the financial services industry, primarily as a result of the release of the findings and recommendations of Commissioner Hayne and the assorted responses from our politicians, the media, regulators and our major competitors.

I stated last year that your Board believed that Infocus, with its consistent focus on high standards and ethical behaviour was well placed to benefit from the changes expected to follow the final report of the Commission, and this has turned out to be correct. Three of the big four major banks have taken steps to off-load significant components of their wealth management businesses, and we have received unprecedented levels of enquiry from advisers who are seeking a quality licensee to partner with.

We are taking a measured approach to the growth opportunities this has presented us with, in order to ensure that we only take on quality advisers with a good cultural fit.

We are also having to deal with the consequences, both financial and operational, of the expected increase in regulatory requirements as a consequence of the Royal Commission, and which come on top of the already legislated changes to adviser education standards. Unfortunately, this will undoubtably make quality financial advice more expensive to provide and will make it unaffordable for some Australians. Our response to this challenge is to improve systems and processes for advice delivery thus providing efficiencies for advisers and greater clarity and understanding for their customers.

Overview of 2019 Financial Year

Our focus coming in to the 2019 financial year was to achieve organic growth in our Business to Business ("B2B") channel, complete the merger of our 2 AFSLs, find revenue synergies from the new service offerings from the Announcer acquisition, and reduce the level of Group debt. We have delivered on 3 of these 4 objectives.

We have seen growth in adviser numbers, gross revenue, funds under advice and RPUA. With a full year from our recent increase in adviser partners, and with new fee arrangements locked in for 2019/20, we will see strong growth in B2B revenue going forward.

The AFSL merger is complete with all former Patron advisers now operating under the Infocus licence.

We reduced our bank debt by $1.6 million during the year, and total liabilities reduced by $3.7 million.

A seamless integration of the Announcer Group of companies into our Business to Consumer ("B2C") advisory business has proved to be more difficult than we had hoped. Significant differences in client bases, pricing and service offerings, and more importantly cultural differences in our people management, means it will take longer for us to reap the full benefits from this acquisition. This has been exacerbated by difficult market conditions for property mortgages, particularly in NSW and Victoria. We are still committed to being able to deliver a full service high-touch holistic advice offering including mortgages and lending, property advisory, tax and accounting. However, we will be taking a more measured approach to rolling these services out over the entire network to ensure effective service delivery.

We have also made great progress during the financial year in repositioning our investment management capability and service offerings to better align them with the needs of both advisers and end-clients. More detail on this is outlined in the Managing Director's Report that follows, but we are very confident that these initiatives will stand us in good stead as old legacy products are discontinued in the near future.

Financial Results

Consolidated net profit after tax for the year ended 30 June 2019 was $465k (FY18: $843k).

Our key measure of profitability is EBITDA and we delivered a result of $2,584k for the year. This was down by $407k on the prior year, but the prior year had been boosted by a one-off fair value gain of $1,339k on the deferred acquisition liability associated with the acquisition of the Announcer Group. So, while the statutory reporting format would appear to show a decline on last year, the reality is that the underlying EBITDA has improved year on year.

The results are still not where we want them to be, but they represent a further step forward in the turnaround of the group. The Board are confident that the right building blocks have been put in place to deliver further sustainable profit growth over the next few years.

Board Succession

Succession planning is an important part of the Board's responsibility. This year two Directors stand for re-election in accordance with our Constitution.

People

The achievements over this year have only been possible as a result of strong leadership and the hard work and dedication of our people. I would like to offer a heartfelt thanks to all our team around the country, both new and old, and importantly to our financial adviser partners and their team members who are providing the very best advice to our clients.

On behalf of the Board, I would also like to extend thanks to our Managing Director Darren Steinhardt for the energy, passion and dedication that he continues to put into the role.

The Board remains confident that the business will continue the steady progress of the last 2 years and that we are in good shape to prosper despite the current turbulent environment.

Roy McKelvie
Chairman

Managing Director's Report

I'm pleased to present my report to shareholders in what has been a mixed year for the Infocus Group.

Our Operating Environment

The 6th of January 2019 marked a turning point for the financial services industry, being the date, the Hayne Royal Commission into Financial Services handed down its final report. A total of 76 recommendations were handed down with 10 relating specifically to financial advice, most of which were foreshadowed in earlier commentary and were in line with our expectations. While we may not agree with the recommendations in their entirety, we do agree that overall they will help move our industry in the right direction, and importantly move in the right direction for our advisers.

Most of the recommendations handed down are consistent with our long-term strategic direction and as such, we see opportunities for further quality growth across the board.

What has been surprising was the speed and extent of the fallout, which began well before the handing down of the Royal Commission's final recommendations. We've already seen an exit from the financial advice space of Westpac, ANZ, CBA and AON to name a few. NAB and AMP have announced major changes, and an emboldened ASIC is charging ahead with its *Why Not Litigate* approach to enforcement. We expect Royal Commission fallout to continue over the 2020 financial year with an elevated level of adviser movement to be maintained for several years, as the better and more professional advisers seek to align with the small number of quality AFS Licensees.

Given our strong national brand and enviable reputation, and in the face of this "flight to quality", Infocus is well positioned. Our values of honesty, integrity, trust, teamwork, leadership and innovation are resonating with advisers who find themselves aligned with organisations who've been found to have fallen short of regulations and community expectations.

In addition to the Hayne Royal Commission, the operating environment is still struggling to cope with regulatory changes introduced by FoFA, TASA, LIF and FASEA with its attendant minimum education standards. We remain dedicated to assisting our adviser partners navigate this change and, where successful navigation isn't possible, to facilitate a dignified and appropriate exit. This coming year we anticipate a sustained strong rate of B2B organic growth however, we'll continue to partner only with those advisers who are culturally and operationally aligned

Growth

The past 12 months has been mixed with both successes and frustrations.

The Strategic Objectives of Infocus are:

- to be a great place to work, attracting and retaining great people through culture and environment,
- to enable our growing clientele to make good financial decisions;
- to be one of Australia's leading financial advice networks, culturally and operationally, servicing our aligned financial advisers exceptionally, being an essential part of their success and identifying and delivering benefits that are only available through scale,
- to actively manage risk through working closely with our adviser networks, industry regulatory and standards setting bodies; and
- to deliver consistent, profitable growth for shareholders.

While we executed our action plan for FY19 we did not make the magnitude of progress we sought towards our Strategic Objectives. We met our Key Priorities and drove genuine and meaningful growth in our B2B channel. We simplified our business by merging our two AFSLs into one, and we also ceased a number of activities which were not central to our vision. We made encouraging progress with our Advice Excellence project, one of the most important pieces in the puzzle to drive quality, sustained and profitable growth. Whilst we successfully merged our two B2C financial advice businesses, Announcer and Infocus Financial Advice, the implementation of a single operating model was a more complex task than initially envisaged. Nevertheless, we are now well down the path in achieving the outcome we seek and we'll redouble our efforts in the coming 12 months to extract the value promised by having a best practice operating model with a consistent service offering and advice process in each of our salaried adviser offices around the country.

Financial Results

Our financial results show pleasing momentum following the implementation of our turn-around strategy mid-way through the 2018 financial year with a 38% increase in operating profit. During the period we saw growth in adviser numbers, growth in gross revenue, growth in operating profit, growth in FUA and growth in RPUA. Our EBITDA result of $2,584m was 13% below our FY18 result however it represented an increase of $730k over the previous year after adjusting for the fair value gain on deferred and contingent consideration recognised in FY18 and FY19. We significantly improved our balance sheet with a reduction in bank debt of $1.6 million, a reduction in total liabilities of $3.7 million and an increase in total equity of $3.4 million.

Partnership

We genuinely value those individuals and businesses with whom we partner, be they one of the ~90 members of the Infocus team, one of the ~160 adviser partners, or the many commercial relationships we enjoy.

During the year we welcomed new staff at all levels of the organisation, investing in strong operational capacity, strengthening and refreshing capability across the team. We will continue to invest in our teams, structured professional development and our 'high touch' engagement model especially as we assist our adviser partners navigate the educational and operational obligations stemming from FASEA. We continue to utilise the expertise of our adviser partners in evolving and developing solutions through the Adviser Council.

I wholeheartedly thank each of you for your efforts, loyalty and continued support.

The year ahead

While our market has encountered much change over these past couple of years, there remains significant and growing demand for quality financial advice. However, there is much work to do to seize the opportunity from this growing demand, in addition to the implementation of the recommendations from the Hayne Royal Commission. We will continue to see the failure and/or exit of competitors of a lesser standard, which augurs well for Infocus, and we've taken firm steps to ensure we'll be able to capitalise on appropriate opportunities for growth that come our way.

The foundations of our business are solid and we have growth strategies in place to build scale on existing capacity to leverage our cost base. We have a clear set of Key Priorities on which we'll focus over the coming 12 months, with a specific focus on B2B expansion, B2C enhancements and the transition of our Investment Management capabilities to further enhance operational efficiencies and client outcomes.

I look forward to continuing my work as Managing Director of Infocus, leading our wonderful team to deliver on our promise each and every day.

Darren Steinhardt
Managing Director

Contents

The registered office and principal place of business is:

Infocus Wealth Management Limited
Level 2, Cnr Maroochydore Rd & Evans St
MAROOCHYDORE QUEENSLAND 4558

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Infocus Wealth Management Limited (referred to hereafter as "Infocus", the "Company" or the "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Principal Activities

The principal activities of the Group include financial planning, accounting and taxation services, mortgage broking, property advisory and funds management, which are provided directly to consumers by the Group ("B2C"). The Group also provides systems and support services to self-employed financial advisers operating as Authorised Representatives under an Australian Financial Services Licence held by the Group ("B2B").

Review of Operations

The profit for the Group after income tax was $465k for the year ended 30 June 2019 (2018: $843k). Total revenue for the year was $57,974k (2018: $55,864k).

The Group held $1,118k in cash at bank at 30 June 2019 (2018: $1,193k). Cash provided by operating activities for the year was $1,072k (2018: $5k).

The Group had net assets of $13,971k at 30 June 2019 (2018: $10,585k).

During the year the Group sold its client portfolios in Townsville and Ayr, Queensland and Frankston, Victoria to self-employed advisers licensed by Infocus Securities Australia Pty Limited.

Likely Developments and Expected Results of Operations

The Group will continue to expand the business through organic growth.

In the B2B business we will seek to grow by increasing the number of financial advisers operating under our Australian Financial Services Licences (AFSLs). One of the repercussions from the Hayne Royal Commission into the financial services industry is that there are now significant numbers of advisers who are looking for access to a broader range of financial products, robust systems, and support in growing their businesses in a compliant manner.

We also expect there to be a shift in the way financial advisers are remunerated for their services with an increasing percentage of revenue to be derived from "fee for service" and less from commissions and rebates from product providers such as life insurance companies and platform providers. We expect revenues from legacy 'grandfathered' commissions to gradually reduce through the year to 30 June 2020 before ceasing completely from January 2021.

Directors

The names of each person who has been a director during the year and to the date of this report are:

- Mr Roy McKelvie, Chairman
- Mr Darren Steinhardt, Managing Director
- Mr David Hasib
- Mr Jonathan Hubbard
- Ms Karen Smith-Pomeroy

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretaries

The names of each person who has been a Company secretary during the year are:

- Mr Michael Laffoley
- Mr Rajesh Daji

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director eligible to attend were:

	Board meetings		Audit & Risk Committee		Research & Investment Committee		People Committee	
	A	B	A	B	A	B	A	B
R McKelvie	8	8	+	+	+	+	+	+
D Steinhardt	8	8	+	+	+	+	+	+
D Hasib	8	8	+	+	5	4	3	3
J Hubbard	8	8	6	6	5	5	+	+
K Smith-Pomeroy	8	8	6	6	+	+	3	3

A Number of meetings held during the time the Director held office or was a member of the committee during the year.

B Number of meetings attended during the time the director held office or was a member of the committee during the year.

+ Not a member of the relevant committee.

Significant Changes in State of Affairs

No significant changes in the Company's or Group's state of affairs occurred during the financial year.

Events after the Reporting Period

The Company issued 500,000 additional 9% convertible notes for $500k on 16 August 2019. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021.

On 1 July 2019, the Group purchased the remaining 50% interest in Announcer Business Advisory (name changed to Infocus Tax & Business Advisory) for $30k.

No matter or circumstance other than as disclosed above has arisen since 30 June 2019 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.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

The Company did not pay any dividends during the financial year.

Options

There were no options granted or exercised during the year.

Indemnification 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.

Indemnification 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 Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or 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 any part of those proceedings.

Directors' Particulars

Mr Roy McKelvie
BSc, MBA
Chairman
Non-Executive Director

Roy is the independent Non-Executive Chairman of the Infocus Group and joined the board in 2016. His career spans financial markets and operational roles in the UK, Europe, Asia and Australia. His last full-time role was as CEO of Transfield Holdings. Prior to this he was the MD & CEO of Gresham Private Equity in Sydney. He previously lived and worked in Hong Kong as MD and Asian Head of Deutsche Bank Capital Partners, and in the UK as a Director of 3i Group.

He is currently Chairman of Encompass Corporation, Sonder Holdings Limited, Tavas Holdings Limited, the Investment Board of AMB Capital Partners, and is a director of Lakeba Group.

He has a BSc in Production Engineering from the University of Strathclyde and an MBA from the University of Edinburgh Business School.

Mr Darren Steinhardt
FAIM, GAICD, M App. Fin.
Managing Director

Darren is the founder of the Infocus Group. Originally from Brisbane, Darren has an extensive background with over 30 years' experience in the financial services industry, commencing his career in 1989. It was Darren's vision of 'being financially fit' that became the genesis of Infocus. Together with his wife Stephanie, Darren founded the business on Queensland's Sunshine Coast in 1994.

Darren, a Fellow of the Australian Institute of Management (AIM) and Member of the Australian Institute of Company Directors (AICD), has undertaken studies in finance, law and economics, and holds a Master's Degree in Applied Finance.

Mr David Hasib
Adv Dip FP, JP
Non-Executive Director

David is a founding Director of Patron Financial Advice, which merged with the Infocus Group in 2014. With over 28 years industry experience, David has a strong track record in establishing wealth management solutions to clients and in particular, wealth advisory businesses. David has served on a number of advisory boards and prior to the formation of Patron ran a corporate practice of 15 advisers.

Mr Jonathan Hubbard
B Com, CA, GAICD
Non-Executive Director

Jon is a professional Company director bringing expertise in strategy, business development, industry reform and regulation, finance, risk management, accounting and audit.

Jon was previously a Partner in the Advisory practice of PwC for 12 years. During this period Jon specialised in the energy, resources and infrastructure industries, in respect of which he held a number of leadership roles. His overall career with the firm spanned 24 years across the SME, Audit and Advisory practices, in the Melbourne, London and Brisbane offices.

Jon was appointed to the Infocus Group board on 1 July 2013. Jon is also a director of the Australian Energy Market Operator Limited and Tavas Holdings Limited, and is a former director of CS Energy Limited and Territory Generation.

Ms Karen Smith-Pomeroy
ADip (Acctg), FIPA, FFin, GIA(Cert), GAICD
Non-Executive Director

Karen is an independent non-executive director with expertise in risk and governance and with an executive career in the financial services sector spanning more than 30 years. Karen was most recently a senior executive with Suncorp Group, including a period from 2009 to 2013 as the Chief Risk Officer of Suncorp Bank.

Karen is a director of Kina Securities Limited, Infigen Energy Limited, Queensland Treasury Corporation, Stanwell Corporation Limited and National Affordable Housing Consortium Ltd.

Company Secretaries

Michael Laffoley is a Chartered Accountant (CAANZ) and holds a BA (Honours) in Business Studies from the University of Hertfordshire. He has over 35 years of experience, predominantly in financial services with ASX listed entities.

He is also the Chief Financial Officer of the Infocus Group. Former roles include General Manager Financial Performance at CSG Limited, senior finance roles with Suncorp, CFO of MFS Diversified Group and Managing Director of The Rock Building Society Limited.

Rajesh Daji is a Chartered Accountant (CAANZ), member of FINSIA, holds a B Com from the University of Auckland, a Graduate Diploma of Applied Finance and an MBA (Exec) from the University of New South Wales Business School. He has over 16 years' experience in both public practice and commerce in working with publicly listed companies in Australia.

Rounding off amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, the amounts contained in these financial statements and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is attached to the Directors' report.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Roy McKelvie
Chairman

25 September 2019
Maroochydore

Auditor's independence declaration

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GPO Box 457 Brisbane QLD 4001
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DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF INFOCUS WEALTH MANAGEMENT LIMITED

As lead auditor of Infocus Wealth Management Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect Infocus Wealth Management Limited and the entities it controlled during the period.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 25 September 2019

Infocus Wealth Management Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019* $'000	2018 $'000
Advice and services revenue		57,974	55,864
Rental and dividend income		267	183
Advice and services fees and commissions paid		(40,046)	(36,947)
Employee benefits expense		(10,274)	(11,478)
Professional fees		(1,519)	(1,603)
Occupancy costs		(1,501)	(1,358)
Marketing, advertising and conference costs		(401)	(496)
Technology costs		(448)	(658)
Bad and doubtful debts expense		-	(189)
Other expenses		(1,764)	(1,666)
Operating profit		2,288	1,652
Depreciation and amortisation expenses	3	(1,065)	(1,176)
Finance costs		(885)	(809)
Impairment of intangible assets	9	-	(356)
Other income	4	296	1,339
Profit before income tax expense		634	650
Income tax (expense)/benefit	5	(169)	193
Profit for the year		465	843
Total comprehensive income for the year		465	843
Profit for the year is attributable to:			
Non-controlling interest		92	110
Owners of Infocus Wealth Management Limited		373	733
		465	843
Total comprehensive income for the year is attributable to:			
Non-controlling interest		92	110
Owners of Infocus Wealth Management Limited		373	733
		465	843

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

* The June 2019 financial results reflect the adoption of AASB 15 Revenue from contracts with customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) on 1 July 2018. As permitted by AASB 15 and AASB 9, the Group has not restated the comparative information. Refer to Note 2(y) for the impact from the initial adoption of AASB 15 and AASB 9.

Infocus Wealth Management Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019* $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	6	1,118	1,193
Trade and other receivables and contract assets	7	7,670	6,200
Current tax assets		2	3
Total current assets		8,790	7,396
Non-current assets			
Other receivables and contract assets	7	1,150	34
Property, plant and equipment	8	513	715
Intangibles	9	22,495	24,969
Deferred tax	5	920	1,060
Total non-current assets		25,078	26,778
Total assets		33,868	34,174
Liabilities			
Current liabilities			
Trade and other payables	10	5,284	4,956
Current tax liabilities		21	38
Borrowings	11	4,281	12,853
Provisions	12 (a)	191	194
Employee benefits	12 (b)	810	915
Deferred and contingent consideration	15 (b)	-	1,874
Total current liabilities		10,587	20,830
Non-current liabilities			
Borrowings	11	9,034	2,440
Employee benefits	12 (b)	106	102
Deferred tax	5	170	217
Total non-current liabilities		9,310	2,759
Total liabilities		19,897	23,589
Net assets		13,971	10,585
Equity			
Share capital	13	14,189	12,517
Reserves		(489)	(489)
Retained profits/(accumulated losses)		262	(1,498)
Equity attributable to the owners of the parent		13,962	10,530
Non-controlling interest		9	55
Total equity		13,971	10,585

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

* The June 2019 financial position reflects the adoption of AASB 15 Revenue from contracts with customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) on 1 July 2018. As permitted by AASB 15 and AASB 9, the Group has not restated the comparative information. Refer to Note 2(y) for the impact from the initial adoption of AASB 15 and AASB 9.

Infocus Wealth Management Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Share capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total controlling interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	10,698	(489)	(2,231)	7,978	-	7,978
Total comprehensive income for the year	-	-	733	733	110	843
Issue of shares (note 13)	1,819	-	-	1,819	-	1,819
Non-controlling interest from business combination	-	-	-	-	18	18
Transactions with owners in their capacity as owners:						
Dividends paid (note 14)	-	-	-	-	(73)	(73)
Balance at 30 June 2018	12,517	(489)	(1,498)	10,530	55	10,585
Change on initial application of AASB 15	-	-	1,387	1,387	-	1,387
Restated balance at 1 July 2018	12,517	(489)	(111)	11,917	55	11,972
Total comprehensive income for the year	-	-	373	373	92	465
Issue of shares (note 13)	1,672	-	-	1,672	-	1,672
Transactions with owners in their capacity as owners:						
Dividends paid (note 14)	-	-	-	-	(138)	(138)
Balance at 30 June 2019	14,189	(489)	262	13,962	9	13,971

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

Infocus Wealth Management Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019* $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		58,008	54,701
Payments to suppliers and employees		(56,039)	(53,966)
Interest received		5	1
Interest and other finance costs paid		(885)	(809)
Dividends received		77	53
Income taxes (paid)/received		(94)	25
Net cash provided by operating activities	16 (a)	1,072	5
Cash flows from investing activities			
Proceeds from sale of assets		1,462	956
Payments for business acquisition, net of cash	21	-	(2,941)
Payments for intangibles		(338)	(238)
Payments for property, plant and equipment		(55)	(150)
Net cash provided by/(used in) investing activities		1,069	(2,373)
Cash flows from financing activities			
Proceeds from borrowings		1,359	8,644
Repayment of borrowings		(3,497)	(5,591)
Dividends paid	14	(138)	(73)
Net cash (used in)/provided by financing activities		(2,276)	2,980
Net (decrease)/increase in cash and cash equivalents		(135)	612
Cash and cash equivalents at the beginning of the year		(803)	(1,415)
Cash and cash equivalents at the end of the year	6	(938)	(803)

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

* The June 2019 statement of cash flows reflects the adoption of AASB 15 Revenue from contracts with customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) on 1 July 2018. As permitted by AASB 15 and AASB 9, the Group has not restated the comparative information. Refer to Note 2(y) for the impact from the initial adoption of AASB 15 and AASB 9.

Note 1. Corporate information

The consolidated financial statements of Infocus Wealth Management Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 25 September 2019. Infocus Wealth Management Limited (the Company or the parent) is a public Company incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 2 (z).

Disclosure

Some disclosures in the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, and notes to the financial statements for comparatives have been reclassified to be consistent with current period disclosures.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Infocus Wealth Management Limited (Company or parent entity) as at 30 June 2019 and the results of all subsidiaries for the year then ended. Infocus Wealth Management Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

Note 2. Significant accounting policies (continued)

(c) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(d) Revenue and expense recognition

From 1 July 2018, the Group applied AASB 15. Information about the Group's accounting policies relating to contracts with customers is provided below. The effect of initially applying AASB 15 is described in note 2(y).

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers. Revenue earned by the Group from its contracts with customers primarily consists of the following categories of fee and commission income:

Advice and services revenue

This includes licensee and advice services revenue from ongoing use of the Group's AFSL by authorised representatives, use of approved product lists, investor directed portfolio services and investment management services and are recognised when the performance obligation is satisfied over time as the service is provided.

Mortgage broking services – upfront and trail commissions

The Group enters into contracts with customers to act as an agent to offer loans to customers. Upfront commissions are recognised at a point in time on settlement of the loan. Trail commissions are recognised at the estimated 'expected value' of the variable consideration being the present value of the expected future trailing commissions to be received from the lending institution. Subsequent to initial recognition, the carrying amount of the contract asset is adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows at the original effective interest rate. This adjustment is recognised in profit or loss.

Other fee and commission income

This include fees relating to accounting, tax, business advisory services and property sales and are recognised when the performance obligation is satisfied over time as the service is provided.

Dividends

Dividends or distributions are recognised as income when the Group becomes entitled to the dividend or distribution.

Rent

Lease rental income is recognised on a straight-line basis over the lease term.

Expenses

Expenses are recognised in the statement of profit and loss and other comprehensive income as and when the provision of services is received.

Accounting policies applicable to comparative period - 30 June 2018

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable after considering any trade discounts and volume rebates allowed.

Advice and services revenue

Advice and services revenue are recorded at the time business is written and services have been provided to the customer and the right to receive the revenue is established.

Advice and services fees

These costs are primarily payments to financial advisers for their share of advice and services revenue in accordance with their Authorised Representative Agreements.

Property revenue

Commission and related income derived from real estate sales is recognised at the time of unconditional exchange of contracts between vendors and purchasers.

Note 2. Significant accounting policies (continued)

Mortgage commissions

Upfront mortgage commissions are recognised upon loan settlement and trail commissions are recognised when received.

Interest

Interest revenue is recognised upon control of the right to receive interest payment.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established.

Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(e) 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 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.

(f) 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 expected to be realised or intended to be sold or consumed in the 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 expected to be settled in the 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.

Note 2. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents include 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(h) Trade and other receivables and contract assets

Trade and other receivables are recognised at amortised cost, less any loss allowance on a specific basis. Trade receivables are generally due for settlement within 30-90 days of recognition.

Contract assets are recognised when the Group has transferred services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract assets relate to future trail commissions due from a combination of Australian banks and non-bank lenders. Any expected credit loss would not be material as these organisations have reduced credit risk and consequently none has been recognised.

(i) Investments and other financial assets

(i) Classifications

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Note 2. Significant accounting policies (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three methods to classify debt instruments: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The Group does not have any debt instruments.

Equity instruments

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

(iv) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses with any debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, refer to note 2(h) above.

Accounting policies applicable to comparative period - 30 June 2018

The Group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 30 June 2018, the Group classified its investments and other financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables
- held-to-maturity investments; and
- available-for-sale financial assets.

Classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation as the end of each reporting period.

The Group does not have any financial assets classified as at fair value through profit or loss; held-to-maturity investments; and available-for-sale financial assets.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or Group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Note 2. Significant accounting policies (continued)

(j) Property, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Depreciable assets	*Depreciation rate*
Leasehold improvements	2.5% to 10.0%
Plant and equipment	5.0% to 67.0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, 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.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.
A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

In the event of the Group sub-leasing any of its operating leases, the lease income is recognised on a straight-line basis over the lease term.

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Note 2. Significant accounting policies (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Client portfolios

Client portfolios acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships for 13 years from the date of purchase and their carrying value is amortised over that period. This assessment is based on the average age of clients, life expectancy and average period of client retention.

IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised using the straight-line method from the point at which the asset is ready for use over its useful life of 3 to 5 years.

(m) Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Note 2. Significant accounting policies (continued)

(p) Provisions and contingent liabilities

Provisions (e.g. legal claims) are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

(q) 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 within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for annual leave and long service leave are recognised as a provision in the statement of financial position. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefits

The liabilities for long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, performance rights or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions which are taken into consideration in determining fair value.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are satisfied and therefore the employee becomes fully entitled to the award (vesting date).

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 2. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(r) 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 their 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.

(s) Share 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.

(t) Dividends

Dividends payable are recognised when declared during the financial year.

(u) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, and after the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Note 2. Significant accounting policies (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within equity attributable to owners of Infocus Wealth Management Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(v) Goods and Services Tax (GST)

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.

(w) Rounding of amounts

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, the amounts contained in these financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

(x) Parent entity financial information

The financial information for the parent entity, Infocus Wealth Management Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements.

Note 2. Significant accounting policies (continued)

(y) Changes in accounting policy, disclosures, standards and interpretations

The Group has applied the following new standards as of 1 July 2018:

- AASB 15 Revenue from contracts with customers
- AASB 9 Financial instruments

The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

(i) AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 *Revenue* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the cumulative effect method. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated and continue to be reported under AASB 118 *Revenue.*

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

On adoption of AASB 15 at 1 July 2018, Mortgage trail commissions previously recognised upon receipt are now recognised during the period which the service is provided.

On date of initial application of AASB 15, 1 July 2018, the impact to accumulated losses of the Group as follows:

(a) Impacted income	Accumulated losses $'000	Total equity $'000
Mortgage trail commissions	1,387	1,387

The following summarises the impacts of adopting AASB 15 on the Group's consolidated financial statements for the year ended 30 June 2019:

(b) Statement of financial position:

	Impact of changes in accounting policies		
30 June 2019	As reported $'000	Adjustments $'000	Without adoption of AASB 15 $'000
Contract assets	1,512	(1,512)	-

(c) Statement of profit or loss and other comprehensive income

	Impact of changes in accounting policies		
For the year ended 30 June 2019	As reported $'000	Adjustments $'000	Without adoption of AASB 15 $'000
Revenue	57,974	(125)	57,849

Note 2. Significant accounting policies (continued)

(ii) AASB 9 Financial instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The new Standard has been applied as at 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. AASB 9 also contains new requirements on the application of hedge accounting.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

No adjustment to opening balance of retained earnings was recognised as the amendments to accounting policies did not result in significant changes. No changes were noted for any reclassifications of financial assets and financial liabilities at 1 July 2018 as follows:

	Measurement category		**Carrying amount**		
	Original (AASB 139)	**New (AASB 9)**	**Original (AASB 139) $'000**	**New (AASB9) $'000**	**Difference# $'000**
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	1,193	1,193	-
Trade and other receivables and contract assets	Loans and receivables	Amortised cost	6,234	7,621	1,387
Total financial assets			7,427	8,814	1,387
Financial liabilities					
Bank overdraft	Other financial liabilities	Other financial liabilities	1,996	1,996	-
Secured bank loans	Other financial liabilities	Other financial liabilities	9,724	9,724	-
Unsecured corporate loans	Other financial liabilities	Other financial liabilities	1,483	1,483	-
Convertible notes	Other financial liabilities	Other financial liabilities	2,090	2,090	-
Total financial liabilities			15,293	15,293	

The differences in this column are the results of applying AASB 15 Revenue from contracts with customers. The reclassification of financial assets on adoption of AASB 9 did not result in any changes to measurements.

Several other standards and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

The following new Australian Accounting Standard has been issued by the AASB and is not effective for the year ended 30 June 2019. This has not been adopted by the Group for the year ended 30 June 2019.

AASB16 *Leases* replaces the current AASB 117 *Leases* standard for the financial year commencing on 1 July 2019.

AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with corresponding right-of-use (ROU) assets.

As a result of adoption of AASB 16, the nature of expenses relating to leases will change. Operating lease expenses were previously recognised on a straight-line basis. However, under AASB 16 the group will recognise depreciation expense for ROU assets and interest expense for lease liabilities.

The Group expects to adopt the modified retrospective approach on transition, whereby the cumulative effect of adoption will be recognised as an adjustment to opening retained earnings at 1 July 2019, with no restatement of comparative information.

Note 2. Significant accounting policies (continued)

AASB 16 will have a material impact on the Group's financial statements. The estimated impact on the lease liability is expected to be in the range of $2,600k to $4,000k with a corresponding ROU asset. This impact depends on future economic conditions, including the Group's borrowing rate, the composition of the Group's lease portfolio, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

(z) Critical accounting judgements, estimates and assumptions

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(iii) Assessment of impairment of goodwill and other indefinite life intangible assets

Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill and other indefinite life intangible assets. Details of the basis of performance of the assessment and the assumptions made are set out in note 9.

(iv) Acquired intangible assets

Under the accounting standards, the assets and liabilities of businesses acquired through a business combination are to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in notes 2(l) and 2(u).

(v) Provision for impairment of receivables and legal claims

The Group estimates losses incurred on its trade receivables in accordance with the policy as per note 2(h).

The provision for legal claims assessment requires a degree of estimation and judgement as per note 2(p). The level of provision is assessed by considering advice from solicitors as reliable evidence available at the reporting date.

(vi) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets as per notes 2 (j) and 2(l). The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(vii) Capitalisation of internally developed software

The Group's determination of whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(viii) Mortgage broking services - trail commissions

Recognised amounts of mortgage broking trail commissions revenues and related contract assets reflect management's best estimate of assumed run off and the resulting net present value of the mortgage broking trail commission contract assets. Key assumptions include a discount rate of 5% and average term of mortgage loans of 8 years.

(ix) Deferred and contingent consideration

Deferred and contingent consideration resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred and contingent consideration meets the definition of a financial liability, it is subsequently measured at fair value at each reporting date. The determination of the fair value is based on the share price of the Company as determined by the directors at reporting date.

Note 2. Significant accounting policies (continued)

(aa) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has a profit after income tax of $465k (2018: $843k). The Group has an excess of current liabilities over current assets at balance date of $1,797k (2018: $13,434k). The Group remains in technical breach of its bank covenants at 30 June 2019. However, as the bank is aware of this, has confirmed its intention to continue to support the Group's operations, and has advised that it does not intend to take action as a result of the breach, the bank debt has been classified into current and non-current liabilities. At June 2018 all bank borrowings of $9,724k were classified as current liabilities due to technical breach of some bank covenants.

The ability of the Company to continue as a going concern including meeting operating cash requirements and paying debts as and when they fall due is dependent on:

- achieving profitability and generating sufficient operating cash inflows;
- continued financial support from its financiers; and
- securing additional capital investment where required.

These conditions give rise to a material uncertainty over the Group's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the Group is generating profits and positive cash flows from operations;
- the Group continues to enjoy the support of its financiers;
- the Group is successfully achieving its growth strategies to increase profitability and increase cash inflows in future years in alignment with its forecasts; and
- the Group's cashflow projections show that it will continue to pay all of its debts as and when they fall due, including all interest and capital repayments to the Group financiers, over its projection period.

The directors are of the opinion the company will continue normal business activities and be able to realise its assets and liabilities in the ordinary course of business. The Group has taken appropriate action and steps to manage its cash flows and bank covenants.

Note 3. Expenses

	Consolidated 2019 $'000	2018 $'000
Depreciation of property, plant and equipment (note 8)	257	336
Amortisation of intangible assets (note 9)	808	840
Total depreciation and amortisation	1,065	1,176

Note 4. Other income

	Consolidated 2019 $'000	2018 $'000
Fair value gain on deferred and contingent consideration (note 15(b))	202	1,339
Profit on sale of client portfolios	94	-
	296	1,339

Note 5. Income tax

	Consolidated 2019 $'000	2018 $'000
Income tax expense/(benefit)		
Current income tax charge	76	93
Deferred tax relating to origination and reversal of temporary differences	93	(286)
Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	169	(193)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	140	(426)
(Decrease)/increase in deferred tax liabilities	(47)	140
	93	(286)
Income tax expense/(benefit) reconciled to accounting profit		
Profit before income tax expense	634	650
Income tax expense calculated at 30% (2018: 30%)	190	195
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Fair value gain on deferred and contingent consideration	(60)	(401)
Non-assessable income	(57)	-
Non-deductible expenses	213	165
Recognition of previously unrecognised tax losses and temporary differences	(117)	(426)
Impairment of intangible assets	-	107
Current year losses for which no deferred tax asset is recognised	-	167
Income tax expense/(benefit)	169	(193)

Note 5. Income tax (continued)

Deferred tax assets	**Consolidated 2019 $'000**	**2018 $'000**
Deferred tax assets relate to the following:		
Property, plant and equipment	106	106
Employee benefits	275	305
Carried forward losses	254	344
Provisions	57	58
Accrued expenses and other items	228	247
	920	1,060
Movements:		
Opening balance	1,060	634
(Charged to profit or loss)/credited to profit or loss	(140)	426
Closing balance	920	1,060

Deferred tax liabilities

Deferred tax liabilities relate to the following:		
Accrued income and other items	170	217
	170	217
Movements:		
Opening balance	217	77
(Credited to profit or loss)/charged to profit or loss	(47)	140
Closing balance	170	217

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses of $208k (2018: $302k) because it is not probable that future taxable profit of a Group entity will be available against which the Group can use the benefits therefrom.

Note 6. Cash and cash equivalents

	Consolidated 2019 $'000	2018 $'000
Cash at bank and on hand	1,118	1,193

Reconciliation to cash and cash equivalents at the end of the year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as per above	1,118	1,193
Bank overdraft (note 11)	(2,056)	(1,996)
Balance as per statement of cash flows	(938)	(803)

Refer to note 15 for further information on financial instruments-risk management and fair values.

Note 7. Trade and other receivables and contract assets

	Consolidated 2019 $'000	2018 $'000
Current		
Trade and other receivables	6,356	5,591
Less: Provision for impairment of receivables	(356)	(356)
	6,000	5,235
Contract assets – mortgage trail commissions	383	-
Prepayments	1,287	965
Total current trade and other receivables and contract assets	7,670	6,200
Non-current		
Contract assets – mortgage trail commissions	1,129	-
Other receivables	21	34
	1,150	34
Total trade and other receivables and contract assets	8,820	6,234

Refer to note 15 for further information on financial instruments-risk management and fair values.

Impairment of receivables
The Group has recognised a loss of $Nil (2018: $189k) in profit or loss in respect of receivables written-off and/or provided for the year ended 30 June 2019.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2019 $'000	2018 $'000
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	595	595
	595	595

Note 7. Trade and other receivables and contract assets (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2019 $'000	2018 $'000
Opening balance	356	332
Addition to provision	-	24
Closing balance	356	356

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to $437k as at 30 June 2019 (2018: $236k).

The Directors do not consider any impairment of the above balances is required. The amounts relate to recoveries owing from former advisers in relation to claims settled in respect of those advisers, and it is considered that these amounts will be recovered in full.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2019 $'000	2018 $'000
0 to 3 months overdue	29	102
3 to 6 months overdue	10	88
Over 6 months overdue	398	46
	437	236

Note 8. Property, plant and equipment

Leasehold improvements	781	766
Less: Accumulated depreciation	(560)	(487)
	221	279
Plant and equipment	1,863	1,825
Less: Accumulated depreciation	(1,571)	(1,389)
	292	436
	513	715

Note 8. Property, plant and equipment (continued)

Consolidated	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
At 1 July 2017	347	395	742
Additions	-	150	150
Acquired through business combination	8	151	159
Disposals	-	-	-
Depreciation expense	(76)	(260)	(336)
At 30 June 2018	279	436	715
At 1 July 2018	279	436	715
Additions	16	39	55
Disposals	-	-	-
Depreciation expense	(74)	(183)	(257)
At 30 June 2019	221	292	513

Note 9. Intangibles

	Consolidated 2019 $'000	**2018 $'000**
Goodwill	17,233	17,233
Less: Accumulated impairment	(130)	(130)
	17,103	17,103
Client portfolios	5,395	8,097
Less: Accumulated amortisation	(964)	(1,185)
	4,394	6,912
IT development & software	2,638	2,300
Less: Accumulated amortisation	(1,640)	(1,346)
	998	954
Brand	356	356
Less: Accumulated impairment	(356)	(356)
	-	-
	22,495	24,969

Note 9. Intangibles (continued)

Consolidated	Goodwill $'000	Client portfolios $'000	IT development & software $'000	Brand $'000	Total $'000
At 1 July 2017	10,109	4,582	903	-	15,594
Additions	-	-	238	-	238
Acquired through business combination	6,994	2,965	18	356	10,333
Impairment expense	-	-	-	(356)	(356)
Amortisation expense	-	(635)	(205)	-	(840)
At 30 June 2018	17,103	6,912	954	-	24,969
At 1 July 2018	17,103	6,912	954	-	24,969
Additions	-	-	338	-	338
Disposals	-	(2,004)	-	-	(2,004)
Impairment expense	-	-	-	-	-
Amortisation expense	-	(514)	(294)	-	(808)
At 30 June 2019	17,103	4,394	998	-	22,495

For the purpose of impairment testing, goodwill and other intangible assets are allocated to the Group's Cash Generating Units (CGUs) which represent the lowest level within the Group for internal management purposes.

The carrying amount of goodwill and other intangible assets of each CGU is tested for impairment at each reporting date and when there is an indication of potential impairment. If an asset is impaired it is written down to its recoverable amount. The recoverable amount is based on a value-in-use calculation using discounted cash flow projections for five years prepared from current forecasts using certain key assumptions.

The key assumptions used in determining value in use for 30 June 2019 for each CGU (B2B, B2C and Capalaba) are:

(i) WACC 13.1% (2018: 14.8%);
(ii) projected average growth rates 6.7% (2018: 5.0%); and
(iii) terminal growth rates 2.5% (2018: 2.5%).

The goodwill was allocated to the following CGUs: B2B $5,276k (2018: $5,276k), B2C $10,958k (2018: $10,958k), Capalaba $869k (2018: $869k).

In 2018 year, the CGUs were Patron $5,276k, Sunshine Coast $3,964k, Capalaba $869k and Announcer $6,994k. In the current year, the Group has simplified its businesses to derive efficiencies that would achieve growth in future years.

An impairment expense of $356k in 2018 year was recognised in relation to the Announcer brand as it was determined by management to phase out this brand in the near future.

Changes in assumptions made in the assessment of impairment of goodwill relate to estimating sustainable revenues. The assumptions are compared to market each year and adjusted appropriately.

The estimates and judgements included in the fair value calculations are based on historical experience and other factors, including management's and the directors' expectations of future events that are believed to be reasonable under the current circumstances.

Note 10. Trade and other payables

	Consolidated 2019 $'000	2018 $'000
Trade payables	4,001	3,873
Other payables	1,283	1,083
	5,284	4,956

Refer to note 15 for further information on financial instruments-risk management and fair values.

Note 11. Borrowings

	Consolidated 2019 $'000	2018 $'000
Current		
Bank overdraft	2,056	1,996
Secured bank loans [(a)]	1,200	9,724
Unsecured corporate loans	1,025	1,133
Total current borrowings	4,281	12,853
Non-current		
Secured bank loans [(a)]	6,944	-
Convertible notes [(b)]	2,090	2,090
Unsecured corporate loans	-	350
Total non-current borrowings	9,034	2,440
Total borrowings	13,315	15,293

(a) All bank borrowings were classified as current liabilities at 30 June 2018 due to breach of some covenants (refer to note 2(aa)).

(b) The Company issued 2,090,000 9% convertible notes for $2,090k on 6 June 2018. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021. The conversion rate is 2.38 shares for each note held and each conversion request from a noteholder must be for a minimum of $10k worth of notes.

Refer to note 15 for further information on financial instruments - risk management and fair values.

Assets pledged as security
The bank facilities are secured by a fixed and floating charge over the Group's assets and a guarantee from a major shareholder and director.

	Consolidated 2019 $'000	2018 $'000
Financing arrangements		
Total facilities available from bank	11,929	13,676
Facilities used at balance date	(10,200)	(11,720)
Facilities available from bank at balance date	1,729	1,956

Note 12 (a). Provisions

The carrying amount and movement in provisions for legal claims are as follows:		
Opening balance	194	-
(Decrease)/increase in provision	(3)	194
Closing balance	191	194

Note 12 (b). Employee benefits

Current		
Leave obligations	810	915

Note 12 (a) and (b). Provisions and Employee benefits (continued)

Non-current		
Leave obligations	106	102
Total employee benefits	916	1,017

The leave obligations cover the Group's liability for annual leave and long service leave.

The current portion includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 13. Equity

(a) Share capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Ordinary shares - fully paid	43,213,630	39,231,909	14,189	12,517
	43,213,630	39,231,909	14,189	12,517

Movement in ordinary shares

	Number of shares (thousands)	**$'000**
At 1 July 2017	36,706	10,698
Shares issued through business combination (note 21)	2,526	1,819
At 30 June 2018	39,232	12,517
At 1 July 2018	39,232	12,517
Shares issued through business combination (note 21)	3,982	1,672
At 30 June 2019	43,214	14,189

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 show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Reserves

Transactions with non-controlling interests reserve

The reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control, as described in note 2(b).

(c) Capital risk management

The Group's objectives when managing capital are 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 minimise the cost of capital.

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, raise additional debts or sell assets to reduce debt.

The Group is subject to certain financing arrangement covenants and was in breach of some covenants at 30 June 2019 (refer to note 2 (aa) and note 11).

Note 14. Dividends

	2019 $'000	2018 $'000
Final dividend paid by controlled entities		
Final dividend for the year ended 30 June 2019: $730.00 (2018 final dividend paid $730.00) per ordinary share to non-controlling interest by Capalaba Financial Planning Pty Ltd	73	73
Final dividend for the year ended 30 June 2019: $5.42 (2018 final dividend paid $Nil) per ordinary share to non-controlling interest by Announcer Business Advisory Pty Ltd	65	-
Total dividends paid (1)	138	73

(1) All dividends paid are franked at a tax rate of 30%

Dividend franking account

	Consolidated	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years	1,319	1,178

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

Note 15. Financial instruments - risk management and fair values

(a) Financial risk management

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

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(i) Market risk

Market risk is the risk of an adverse impact on Group earnings resulting from changes in market factors, such as interest rates and foreign exchange rates, commodity prices and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Group does not use derivatives to manage market risks.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure on financial assets comprising of cash and cash equivalents is considered immaterial.

Interest rate sensitivity

The analysis demonstrates the impact of a movement in interest rate on borrowings of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for variable rate borrowings in the Group:

	Consolidated	
	2019 $'000	**2018 $'000**
Bank overdraft and bank loans	10,200	11,720
Corporate loans	-	758
Total borrowings	10,200	12,478

If interest rates had changed by, +/- 1% from the year-end rates with remaining contractual maturities and all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $71k lower/$71k higher (2018: $87k lower/$87k higher).

Currency risk

The Group has no operations outside of Australia and is not exposed to any material currency risk.

Note 15. Financial instruments - risk management and fair values (continued)

Price risk

The Group has indirect exposure to commodity and equity securities price risk because a portion of the Group's net advice and investment products revenue is governed by the amount of funds under management or under advice, which is impacted by the market price of equities and other investment assets.

This risk is effectively a feature of the financial advice industry and cannot easily be managed. However, the increasing proportion of fee for service revenue and the ability of the Group to adjust resource inputs in relation to market movements decreases the level of risk.

(ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables and contract assets. The Group's maximum exposure is equal to the carrying amount of these assets (refer to note 6 and 7).

The Group has professional indemnity insurance to mitigate against any claims made as a result of inappropriate advice given by advisers operating under the Group's Australian Financial Services Licences. The contractual agreements with the Group's self-employed advisers enable the Group to recover any shortfall not covered by insurance from the relevant adviser.

The Group's cash balances are primarily held with Westpac Banking Corporation.

In respect of trade and other receivables, the Group has no significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, all receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is monitored and managed.

(iii) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group maintains sufficient liquid reserves to meet all foreseeable working capital, investment and regulatory licensing requirements.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Note 15. Financial instruments - risk management and fair values (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The balances in the table relating to borrowings will not agree to amounts presented in the statement of financial position as amounts incorporate net cashflows on an undiscounted basis and include both principal and associated future interest payments.

It should be noted this is not how the Group manages its liquidity risk, which is detailed above.

	Contractual cash flows				
At 30 June 2019	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Total $'000**	**Carrying amount $'000**
Trade and other payables	5,284	-	-	5,284	5,284
Borrowings	4,438	1,260	8,309	14,007	13,315
	9,722	1,260	8,309	19,291	18,599
At 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	4,956	-	-	4,956	4,956
Borrowings	13,461	356	2,278	16,095	15,293
	18,417	356	2,278	21,051	20,249

The cash flows in the maturity analysis above at 30 June 2018 are not expected to occur as disclosed above due to reclassification of bank borrowings as current liabilities (less than 1 year) from breach of some covenants. If the Group was not in technical breach of one of its bank covenants in FY 18 or at that time the bank had confirmed it would not call upon the debt immediately, $7,434k would than be classified as non-current liabilities.

(b) Fair value of financial assets and financial liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and these are categorised under fair value hierarchy. The carrying amount and fair value of financial assets and financial liabilities are held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short term in nature or are receivable on demand.

Note 15. Financial instruments - risk management and fair values (continued)

Trade and other receivables

Trade and other receivables are recognised at amortised cost net of any impairment losses. The estimated fair value of trade and other receivables represents the discounted amount of estimated future cash flows expected to be received.

Trade and other payables

Trade and other payables are an approximation of fair values as they are short term in nature.

Borrowings

The Group has certain financial instruments (i.e. corporate loans and convertible notes) which are not measured at fair value in the statement of financial position. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group. The Group is of the view that underlying assumptions and factors have not changed in this reporting period and the carrying amounts of borrowings is an approximation of fair values at reporting date.

Fair value hierarchy

Borrowings

These are classified as level 2 as the inputs into the fair value models (being current market rates) used to determine fair value are observable.

Deferred and contingent consideration

This is classified as Level 3 and is related to the business combination with issue of shares in the Company to the former shareholders of Announcer Group (refer to note 21). The fair value at 30 June 2018 was dependent upon the share price of the Company at 30 June 2018. This financial liability was fully settled upon issue of fully paid ordinary shares on 27 September 2018 as per note 13(a).

	Consolidated	
	2019	2018
	$'000	$'000
Opening balance	1,874	-
Acquired through business combination (note 21)	-	3,213
Gain recognised in profit or loss under other income (note 4)	(202)	(1,339)
Issue of shares	(1,672)	-
Closing balance	-	1,874

Note 16. (a) Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2019 $'000	2018 $'000
Net profit after income tax	465	843
Adjustments for:		
Fair value gain on deferred and contingent consideration	(202)	(1,339)
Profit on sale of client portfolios	(94)	-
Non-cash mortgage trail commissions	(125)	-
Depreciation and amortisation expenses	1,065	1,176
Bad and doubtful debts expense	-	189
Impairment of intangible assets	-	356
Change in operating assets and liabilities, net of effects from acquisition of business:		
(Increase) in trade and other receivables	(338)	(287)
Increase/(decrease) in trade and other payables	328	(1,096)
(Decrease)/increase in provisions and employee benefits	(104)	319
Decrease/(increase) in deferred tax assets	140	(426)
(Decrease)/increase in deferred tax liabilities	(47)	140
(Decrease)/increase in net tax liabilities	(16)	128
Net cash provided by operating activities	1,072	5

Note 17. Contingent liabilities and contingent assets

The nature of the financial advice business is such that from time to time advice given by the Group or its Authorised Representatives results in claims by clients for compensation.

There are legal proceedings in place relating to a specific client claim which has been provided for. The Group has received other claims and is defending these claims, and is unable to assign a value to these claims with any certainty and has not provided for them.

Except as per above, there were no material contingent liabilities or contingent assets at the date of this report.

Note 18. Commitments

	Consolidated 2019 $'000	2018 $'000
Contracted operating lease commitments		
Within one year	1,008	976
One to five years	2,331	794
	3,339	1,770

The Group leases various offices under operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Note 19. Share-based payments

(a) Employee/executive option plan

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain employees/executives of the Group. Holders of vested options are entitled to purchase shares at the exercise price of the option at grant date. The contractual life of the options are five years from grant date, subject to employees meeting service period requirements.

Movements in share options outstanding:

	2019 Number of options	2018 Number of options
Balance at beginning of year	-	1,266,234
Granted during the year	-	-
Forfeited/expired during the year	-	(1,266,234)
Exercised during the year	-	-
Balance at end of year	-	-

The share options outstanding at the end of the year had weighted average exercise price $Nil (2018: $Nil) and a weighted average remaining contractual life of Nil days (2018: Nil days).

(b) Employee/executive share plan

An employee/executive share bonus plan was established by the Group and approved by shareholders, whereby the Group may, at the discretion of the Board, grant performance rights over ordinary shares in the Company to certain employees/executives of the Group. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. The group has not provided any share options to employees/executives for the current year.

Offers were previously made to employees/executives on 5 December 2016

- 21 employees were each offered 1,389 performance rights (value $1,000) in the Company and subject to a three - year service and performance period. 11 of these employees have subsequently left the Company and consequently there are only 13,890 performance rights that still have the potential to vest in December 2019.

Note 20. Related party disclosures

Key management personnel compensation

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

	Consolidated 2019 $	2018 $
Short-term employee benefits	2,090,083	1,921,675
Post-employment benefits	139,324	129,900
	2,229,407	2,051,575

The remuneration of directors and key executives is determined by the Board on advice from the People Committee having regard to the performance of individuals and market trends.

Parent entity

The parent entity of the Group is Infocus Wealth Management Limited.

Subsidiaries

Interests in Group entities are set out in note 22.

Transactions with related parties

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

The Group has paid a director for his services; Mr D. Steinhardt and his spouse Mrs S. Steinhardt and an entity related to Mr D. Steinhardt and Mrs S. Steinhardt for executive and other activities, for rental premises in Maroochydore, and for providing financial guarantees to the Group's bankers.

	2019	**2018**
	$	**$**
Payment for services	1,016,473	1,024,467

The Group has loans payable to an entity related to a director; Mr D. Steinhardt as follows:

	2019	**2018**
	$	**$**
Loans payable	-	41,698

The Group has issued convertible notes payable to key management personnel as follows:

Convertible notes	400,000	400,000

The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021 with a coupon rate of 9% per annum paid semi-annually. The conversion rate is 2.38 shares for each note held and each conversion request from a noteholder must be for a minimum of $10k worth of notes.

Terms and conditions

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

J. Hubbard and D. Steinhardt are clients of a controlled entity within the Group, this relationship is on normal commercial terms and conditions.

Note 21. Business combinations

Acquisition 2017 – summary of acquisition of Announcer Group Pty Ltd

On 4 September 2017 (consolidated effective 1 September 2017), the Group acquired 100% of the issued share capital of Announcer Group Pty Limited. The objective of the acquisition is to increase the Group's market share in providing accounting and taxation, financial advisory, mortgage and property advisory services. Details of the business combination are as follows:

	Purchase consideration $'000
Cash paid	3,000
Share issue	1,819
Deferred and contingent consideration [(a)]	3,213
	8,032

(a) This was discharged on 27 September 2018 by issue of fully paid ordinary shares as per Note 13.

	Final fair value $'000
Cash and cash equivalents	59
Trade and other receivables	872
Property, plant and equipment	159
Intangible assets	3,339
Trade and other payables	(1,255)
Borrowings	(1,706)
Employee benefits	(430)
Identifiable net assets at fair value	1,038
Consideration	8,032
Goodwill recognised	6,994
Analysis of cash flow on acquisition	
Cash and cash equivalents acquired	59
Cash paid	(3,000)
Net cash outflow on acquisition	2,941

For the year ended 30 June 2019, the Announcer business is fully integrated and is not managed as a separate business.

Note 22. Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 2(b):

Entity name[1]	**Percentage of shares held 2019**	**2018**
Infocus Securities Australia Pty Ltd	100%	100%
Infocus Financial Planning Pty Ltd	100%	100%
Portfoliofocus Pty Ltd	100%	100%
Platformplus Pty Ltd	100%	100%
Alpha Fund Managers Pty Ltd	100%	100%
Alpha Investment Management Pty Ltd	100%	100%
Portfolio Administration & Reporting Pty Ltd	100%	100%
Commission Refunders Pty Ltd	100%	100%
Sunshine Coast Financial Planning Pty Ltd	100%	100%
Capalaba Financial Planning Pty Ltd	50%	50%
PATRON Financial Trust	100%	100%
PATRON Mortgage Advice Pty Ltd	100%	100%
Earnie Pty Ltd	100%	100%
Announcer Group Pty Limited	100%	100%
Announcer Financial Planning Pty Limited	100%	100%
Announcer Financial Planning Queensland Pty Ltd	100%	100%
Announcer Tax Pty Ltd	100%	100%
Announcer Victoria Pty Ltd	100%	100%
Property Prevue Pty Ltd	100%	100%
Mortgage Prevue Pty Ltd	100%	100%
Mortgage Prevue Oxygen Pty Ltd	100%	100%
Announcer Business Advisory Pty Ltd	50%	50%

1 All entities are incorporated in Australia.

Subsidiaries with material non-controlling interests

None of the subsidiaries have non-controlling interests that are material to the Group.

Note 23. Auditor's remuneration

	Consolidated 2019 $	**2018 $**
Audit and review services		
Auditor of the Company - BDO		
- Audit and review of financial statements	56,000	56,000
Other services		
Auditor of the Company - BDO		
- Other assurance and taxation services	47,277	32,119
Total auditor's remuneration	103,277	88,119

Note 24. Parent entity information

The parent entity financial information is presented as follows:

Statement of financial position

	2019 $'000	2018 $'000
Total current assets	507	2,295
Total assets	26,987	28,797
Total current liabilities	5,241	15,346
Total liabilities	14,381	17,538
Equity		
Share capital	14,189	12,517
Accumulated losses	(1,583)	(1,258)
Total equity	12,606	11,259

Statement of profit or loss and other comprehensive income

	2019 $'000	2018 $'000
(Loss)/profit after income tax	(325)	768
Total comprehensive income	(325)	768

Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees, in the current or previous financial year, in relation to any debts of its controlled entities.

Contingent liabilities and capital commitments for property, plant and equipment
The parent entity had no contingent liabilities or capital commitments for property, plant and equipment as at 30 June 2019 (2018: $nil).

Note 25. Events after the reporting period

The Company issued 500,000 additional 9% convertible notes for $500k on 16 August 2019. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021.

On 1 July 2019, the Group purchased the remaining 50% interest in Announcer Business Advisory (name changed to Infocus Tax & Business Advisory) for $30k.

No matter or circumstance other than as disclosed above has arisen since 30 June 2019 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:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date:

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) Note 2(a) confirms the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:

Roy McKelvie
Chairman

25 September 2019
Maroochydore

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INDEPENDENT AUDITOR'S REPORT

To the members of Infocus Wealth Management Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Infocus Wealth Management Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Infocus Wealth Management Limited, 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 2019 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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 on the other information obtained prior to the date of this auditor's report, 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 the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Paul Gallagher

P A Gallagher
Director

Brisbane, 25 September 2019