infocus

2020 ANNUAL REPORT

30.06.20

INFOCUS WEALTH MANAGEMENT LTD.

ABN:28 103 551 015

About us

Infocus Wealth Management Limited (Infocus) is a national wealth management organisation. Our vision revolves around the ethical provision, implementation and ongoing management of quality financial advice of the highest quality.

Starting in 1994 as a successful financial advice practice based on Queensland's Sunshine Coast, we have since grown into the national wealth management group we are today, proudly partnering with ~ 200 quality financial advisers across Australia.

Infocus employs a team comprising of ~ 100 talented professionals, distributed across our corporate offices on the Sunshine Coast (head office), Brisbane, Sydney, Melbourne and Perth. Our team is trained in operations spanning personal advice (financial, accounting, lending and property), investment management and financial technology ('Fintech').

We are an organisation proud of our foundations and built to achieve advice excellence. Our values of partnership, teamwork, innovation, leadership and integrity are in action each and every day amongst both our team and adviser network. Over our history the provision of quality financial advice has remained at the heart of everything we do.

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.

Key Operations

Financial Advice

Infocus is first and foremost an advice business. Financial advice is at the heart of everything we do.

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 a team of in-house 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 FY20 the Alpha team successfully developed and launched a suite of Separately Managed Account (SMA) services which are an investment management structure that effectively automates the model portfolios. SMAs are helping to deliver even better client outcomes while significantly improving the efficiency of the advice process. The Alpha Investment Management SMA program now sits on three major platforms and has raised $77 million in FUM and $144 million in advice written for FY20.

Financial Technology - Platformplus

A cornerstone of the success of Infocus is our proprietary fintech solution, Platformplus, which is an integrated wealth technology solution that delivers embedded compliance, unrivaled practice visibility and seamless advice production. This innovative software solution manages all aspects of the advice process, CRM, adviser business management, and client engagement in one convenient access-anywhere application. 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. The system was built by us, for us, and is maintained by us exclusively – the result being we can update, enhance, develop and improve the system as a result of adviser feedback.

Annual Achievements

The 2020 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 including the COVID-19 global pandemic.

A high-level overview of some of the achievements and outcomes from focused delivery on our strategy over the last 12 months is displayed on the following page, with further detail in the Managing Director's report.

Strategic Initiative	Results
Growth	• We grew adviser numbers by 12%, with a 25% increase in offices licensed under the Infocus AFSL; • Gross revenue increased by 14% to $66.2 million • We grew Funds under Advice by 27% to $7.5 billion; and • We had a 18% increase in Risk Premiums Under Advice to $105 million.
Operational Excellence	• The successful launch of a suite of Separately Managed Accounts; the SMAs are currently sitting on three industry leading platforms with over $77 million in FUM and $144 million in advice written for FY20; • Significant progress with the Advice Excellence Project, including a simpler and more controlled process for the provision of advice with a refreshed governance framework; • Successful roll-out of the advice development snapshot (ADS) tool in Platformplus, which radically improves the efficiency and effectiveness of the advice generation process; • All systems, processes, templates and supporting tools at Infocus were updated in line with the FASEA code of conduct, ensuring our advisers were able to adapt and meet the FASEA code; and • Successful re-negotiation of the Group's professional indemnity insurance coverage for the underwriting year to 19 April 2021. The resulting annual premiums per adviser remaining at levels consistent with the prior year – our 6th year in a row without increase.
Trust and Teamwork	• We completed the business turnaround strategy that was commenced in December 2017; • We successfully completed a major change management process in the B2C business, installing capable leaders in each of our disciplines of financial advice, lending, accounting and property advisory; and • All staff were able to continue to work productively from home with the onset of COVID-19, supported by our robust IT capability.
Partnership	• We achieved a record level of growth within the B2B network with the recruitment and onboarding of 49 new advisers; • Our SMA program has a penetration rate of almost 25% amongst our advisory network; • iCON19, our annual adviser conference was held in the Sunshine Coast in the last week of October. The conference also celebrated our 25 year anniversary as a business, bringing together our entire national team. • Continued high level of adviser participation in online professional development and ongoing education activities.

Results Summary

	FY20 ($,000)	FY20 Adjusted [1] ($,000)	FY19 ($,000)	Change from FY19 (%)	FY18 ($,000)
Gross revenue	$66,220	$66,220	$58,241	+14%	$56,047
Brokerage payments and related costs	$(48,155)	$(48,155)	$(40,046)	+20%	$(36,947)
Net revenue	$18,065	$18,065	$18,195	-1%	$19,100
EBITDA [2]	$3,454	$2,439	$2,584	-6%	$2,991
less other income	Nil	Nil	$(296)	-100%	$(1,339)
Operating profit	$3,454	$2,439	$2,288	+7%	$1,652
less interest	$(890)	$(754)	$(885)	-15%	$(809)
less depreciation and amortisation	$(1,864)	$(970)	$(1,065)	-9%	$(1,176)
less impairment	Nil	Nil	Nil	n/a	$(356)
add other income	Nil	Nil	$296	-100%	$1,339
NPBT [1]	$700	$715	$634	+13%	$650
NPAT [1]	$509	$519	$465	+12%	$843
EPS	$0.012	$0.012	$0.011	+9%	$0.021

1 FY20 Adjusted column removes the impact of AASB16 *Leases* to enable more meaningful comparison with results for FY19

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

	FY20	FY19	Change (%)	FY18
FUA	$7.5b	$5.9b	+27%	$4.9b
RPUA	$104.7m	$88.7m	+18%	$86.1m
Offices	125	100	+25%	92
Advisers	179	160	+12%	149

Chairman's Report

Dear Shareholder

The past 12 months has seen your Company face another year of unprecedented industry turmoil. I am pleased to report that despite these challenges we have continued to make solid progress, and finished the year in a stronger financial position than we started.

The fall-out from the Hayne Royal Commission has continued. There has been significant industry dislocation, with all of the major banks taking significant steps to reduce their offerings in wealth advisory services, and AMP in particular suffering a major contraction in their position in the industry. This provided Infocus with the opportunity to increase its market share (advisers, clients and funds under advice), and we have done so in a controlled and measured fashion ensuring that we have only taken on quality advisers with a strong cultural fit.

The speed of industry dislocation has been, in part, caused by the significant increase in regulatory requirements that I referred to in my report to you last year, and which resulted in us devoting significant resources in late 2019 and early 2020 to getting the business and all of our advisers ready to comply with the new FASEA requirements. As if this was not enough pain for our industry to deal with, we were suddenly hit with the impact of the worst global pandemic in 100 years and the consequent recession that is emerging.

I am pleased to report that there has been a fabulous team response to dealing with COVID-19 with management quickly putting in place contingency arrangements enabling all staff to work effectively from home, ensuring minimal disruption in services to advisers. Your Board maintained a close watch with fortnightly Zoom meetings. Staff adapted to new working arrangements magnificently, including agreeing a reduction in pay which was mirrored by the Board.

Overview of 2020 Financial Year

At last year's AGM I stated that our strategic direction for FY2020 would be for quality growth in self-employed adviser numbers, and delivering systems and solutions to make advisers more efficient. I am pleased to say that we have delivered on these promises as the Managing Director has outlined in his report.

I also cautioned that we should prepare ourselves for higher professional indemnity insurance premiums when they were renewed in April 2020. I am pleased to announce that this did not eventuate, and by engaging with both Australian and London based underwriters we managed to achieve an outcome that resulted in no increase in premiums for advisers.

Anticipated continued growth for the quarter ended 30 June 2020 did not eventuate, due to the impact of COVID-19, but the Group still delivered a solid result for the financial year, reducing the level of bank debt and bringing our facilities back within the requirements of the loan covenants.

Financial Results

Consolidated net profit after tax for the year ended 30 June 2020 was $509k (FY19: $465k).

Our key measure of profitability is EBITDA and we delivered a result of $3,454k for the year. This is after adopting the new accounting standard for leases, and after adjusting for the accounting change EBITDA for the year was 6% below the prior year, but was also after expensing $609k for unrecoverable claims relating to poor quality advice dating back to 2012. After adjusting for the clearing up of these historic claims the underlying "real" result is an EBITDA of $3,048k.

Corporate Governance

This has been a very busy year for your Board of Directors. Including the additional COVID-19 update meetings the Board met 14 times in the year to 30 June 2020, and there were an additional 11 sub-committee meetings held during the year. I am pleased to advise that a very diligent and healthy Board achieved a 100% attendance (94 out of 94 invites) for these meetings.

These meetings have, by necessity, been mostly completed using Zoom video conferencing since March 2020, and whilst these meetings have been no less effective through this medium we do also look forward to the time when we can resume more face-to-face collaboration between directors and also with management. The Board enjoy sound working relationships with the management team, get an opportunity to interact with them and the broader Infocus community at the annual iCON Conference, and as such have a good sense of the culture of the organisation.

Board Succession

Succession planning is an important part of the Board's responsibility. Karen-Smith Pomeroy has advised of her resignation as a Director effective from 30 October 2020. Karen has been a Director for just over 5 years, and on behalf of the Board I would like to thank Karen for the tremendous contribution she has made to the governance of the Infocus Group of companies, bringing valuable finance industry and risk management experience to the Board and its sub-committees.

We have been talking to a number of highly credentialed candidates to take Karen's place on the Board, and expect to finalise the appointment of a new director shortly.

In addition, Jon Hubbard will stand for re-election at the Annual General Meeting 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 in a very challenging environment.

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 is confident that the business is pursuing the appropriate strategies to meet the challenges it faces, and has the right people to be able to execute on these strategies.

Roy McKelvie
Chairman

Managing Director's Report

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

FY20 has been highlighted by a few themes, including industry disruption, continued regulatory change and of course COVID-19. Importantly, during the period we successfully completed the turn-around strategy commenced in December 2017

Over the past 31 months we refreshed our leadership in key roles, re-engaged with our B2B stakeholders and refreshed our investment philosophy. We reset our fees and embarked on a program of B2B growth, while at the same time addressing the integration of acquisitions and operational challenges in B2C. We've resolved myriad legacy issues, paid down debt, raised additional capital and strengthened our balance sheet, upgraded our technology infrastructure, and rebuilt a solid foundation with capability to drive both organic and inorganic growth.

We're now generating acceptable and sustainable earnings, and importantly we've returned to compliance with our banking covenants.

As we close out FY2020 Infocus has:

- A national network of ~ 200 financial advisers, credit representatives and accountants, 125 advisory practices, $7.5Bn FUA and $105m RPUA
- A growing B2B division operating in line with risk, governance and budget expectations and requirements. It's positioned well for sustained growth.
- Our B2C division coming out of the other end of a major change management process necessitated by the need to integrate recent acquisitions, introduce operational excellence and incorporate regulatory change.
- Our Research and Investment Management division operational with our Separately Managed Accounts (SMAs) and Investment Trusts, while at the same time operating a best of breed Approved Product List with robust oversight.
- Our Platformplus Wealth Management System upgraded to incorporate all FASEA processes and oversight obligations, in addition to its current capability.

The conclusion of our turn-around strategy signifies the beginning of the implementation of Infocus' strategy for success in the new financial advisory profession; it's now time to PLAY A BIGGER GAME.

Our Operating Environment

The industry theme over the period has been that of FASEA and Hayne Royal Commission driven regulatory change. This change has touched all areas of our business which has driven the need for adjustments to our business models, advisory processes and our governance frameworks. We welcome the majority of this change as it's provided an opportunity to draw a line in the sand to cease legacy, outdated and inefficient business practices which have plagued the industry and hindered its proper evolution. This regulatory change comes with a significant cost burden, including material business interruption, the myriad 'look-back' programs operated by the regulator, and the loss of many good financial advisers as they seek early retirement or career advancement elsewhere.

During FY20 the decline in adviser numbers in the industry was ~21%*, this followed a ~16%* decline in FY19. The industry continues to dislocate as the institutions continue their exodus, and as ASIC maintains its 'why not litigate' stance on the under-governed and under-resourced segment. We expect the ongoing dislocation, together with the increased regulatory burden, to continue to drive a decline in industry-wide adviser numbers over the next couple of years. We also expect these circumstances to continue to provide organic growth opportunities for well-run and appropriately resourced organisations, such as Infocus.

We knew that 'grandfathered commissions' were to be outlawed from 1 January 2021 and had incorporated this outcome into our budgets. However, over the past 6 months we've seen a growing number of product providers use laws and regulations coming out of the Hayne Royal Commission recommendations as an excuse to revisit and terminate other legally valid commercial arrangements. This is disappointing. The loss of the revenues from these legally valid commercial arrangements will have an impact on revenues into future, we've taken appropriate action and have now incorporated the revenue loss into our budget and the strategic impact into our forward-looking priorities and work plans.

We've moved to a transparent and conflict free pricing for both financial advisers and retail clients which has underpinned, and is expected to strengthen, our revenues. We now have a simpler and more controlled process for the provision of advice that enables our advisers to meet the new regulatory obligations in the most efficient way. We also have a refreshed governance framework across our advice process, which enhances our ability to effectively manage risk.

COVID-19 has been an added challenge thrust upon us in the latter part of FY20. In the space of a couple of weeks during March it went from a health issue in one province in central China to a global pandemic causing businesses to shut down and forcing investment markets into free-fall. We needed to ensure the safety of our staff, aligned advisers and clients, whilst also making sure we could provide the necessary infrastructure to minimise the disruption to services. COVID-19 was a significant test for our IT capability, it's pleasing that we passed that test well. All staff were able to continue to work productively from home and with the capability contained within our Platformplus Wealth Management system advisers were able to effectively service clients remotely.

The impacts of COVID-19 arrived at the time that many advisers were having to make changes within their businesses to deal with the new FASEA requirements, and the need to provide reassurance to clients concerned about investment markets whilst working remotely … this made for extremely challenging times. The collective response from everyone in the Infocus business was tremendous and we got through those first few difficult months, but there has been a consequential impact on revenues due to the fall in markets and the reduced capacity to provide up-front advice and develop new business opportunities.

Delivery on FY20 Priorities

The Priorities that we set for ourselves for FY20 and the results are noted below:

- SMA Adoption – following a 12-year period of success in investment management with our Alpha series of managed funds, FY20 was the time to enhance our capabilities with the introduction of a series of separately managed accounts (SMAs). Our SMAs became operational on three of our preferred investment / superannuation platforms in September 2019. By 30 June 2020 there had been $144m of recommendations for investment in the SMAs, with $77m of that in Funds Under Management at that date with an additional $55m expected to flow through post 30 June. With an advisory network penetration rate approaching 25% we expect continued strong growth in FY21.
- B2B Recruitment – with the exit from the industry of the large institutions, and the fragmenting of smaller licensees, the opportunity for organic growth during the period was significant. We achieved a record level of growth with 49 advisers recruited to our network. Industry disruption is set to continue to continue, and as such I expect continued robust growth through FY21.
- B2C Enhancement – following the merging of our two separate financial advice businesses into a single 'best practice' operational model during FY19, we redoubled our efforts on B2C enhancement during FY20. During the period we encountered, and resolved, operational issues which impacted on our financial results. Nevertheless, we have turned this business around, installing capable leaders in each of our disciplines of financial advice, lending, accounting and property advisory, with strong operational teams. Our pipeline is strong and barring any unexpected COVID-19 impacts I expect this division to return to growth in FY21.

Financial Results

Our financial results were pleasing in a difficult operating environment. We achieved good growth in the B2B business which helped deliver an overall 14% increase in gross revenue to $66.2m, a 27% increase in Funds Under Advice to $7.5b, and an 18% increase in Risk Premiums Under Advice to $105m.

Net revenue for the year was flat at $18.1m with the B2C advisory income streams impacted by COVID-19, time spent focussing on FASEA requirements and the implementation of operational changes to the business.

Labour costs were 9% down on the prior year, aided by our staff agreeing to a 20% reduction in contracted hours for the last quarter of the financial year.

Reported EBITDA was up 34% to $3,454k but this is after applying AASB 16 (the new accounting standard for leases) for the first time in 2020, which increases EBITDA by reducing occupancy expense and increasing amortisation expense. On an adjusted basis (removing impact of AASB 16) EBITDA was down by 6% to $2,439. This was also after recognising $609k in write-offs and provisions that relate to compensation for poor advice provided by former advisers over 10 years ago, and who have long since had their authorisations revoked. The true underlying result was therefore $3,048k.

The underlying operating performance of the business was therefore strong, and we continued the improvement of our balance sheet with a reduction in bank debt of $1.3 million and an increase in total equity of $369k.

The year ahead (Strategic Priorities for FY21)

As stated earlier in my report, the conclusion of our turn-around strategy signified the beginning of a new strategy. Our historical relationship between advice and the infrastructure of technology and investment management allows us to develop our business with less of the operational impacts and costs imposts of the traditional financial services business model.

Our 2020 strategy refresh will see:

- the continuation of the Advice Excellence program, building our B2C and B2B divisions.
- the continued evolution of our Investment Management function, including the renovation of our Alpha Series of managed funds.
- the implementation of a differentiated advice led offer for all parts of the B2B value chain, including infrastructure, with clients able to engage with us in any or all components of our offer.
- a broadening of the potential client list to include small / medium AFSLs.
- a reduction in the long-term embedded advice risk as we grow, with externally licensed clients generating revenue for us but without the regulatory risk or consequential impact on professional indemnity premiums.
- the preparation of the business in the event self-licensing becomes more appealing, either commercially or as a result of regulatory change.

In the execution of the 2020 strategy refresh the priorities that we set for ourselves for FY21 are:

- a focus on our overarching purpose of Advice Excellence.
- taking advantage of the continuing industry disruption with the recruiting of additional financial advisers to our network.
- the expansion of external Platformplus sales to small / medium AFSLs.
- the development and release of material enhancements to Platformplus.

New Divisional Structure (Positioning for Growth)

Our 2020 strategy refresh clearly distinguishes between advice and infrastructure, removing real and/or perceived conflicts, and focusing our attention on building profitable business units that can operate on a stand-alone basis, but are also stronger synergistically. In order to assist in the focus of the business towards our 2020 strategy refresh we've implemented a new divisional structure, with the divisions being:

- Advice – incorporating Infocus Advisory (formerly B2C), Infocus Advisory Network (formerly B2B), Advisory Operations and Alliance Partnerships.
- Infrastructure – incorporating Information Technology, Product Management, Professional Standards, and People.
- Investment Management – incorporating Research and Investment Management.

Investment in Technology

Platformplus is a valued piece of technology, proven in the operation of self-licensed, boutique, small and mid-sized AFSLs. As an infrastructure provider to the financial services industry, Platformplus provides all of the services relevant to the effective operation of an AFSL and the efficient delivery / maintenance of financial advice. We have committed significant funds for further investment into Platformplus to:

- continue the development of all components of Platformplus to grow revenue, enhance efficiencies and effectively manage risk within the Infocus AFSL and all aligned advisory businesses.
- enable the licensing of Platformplus CRM, RMS (brokerage system), and all Client Engagement tools to external AFSLs.
- the development and release of an integrated platform within Platformplus, making it a true end–to–end advice solution.

Capital and Funding

Infocus has $3.015m of Convertible Notes on issue with a maturity of May 2021. In order to further strengthen our balance sheet and secure funding for the investment into Platformplus noted earlier in this report, we will be expanding our Convertible Notes program.

We need to lock in our funding beyond May 2021 to enable us to implement the strategies outlined above that will change our revenue mix and enable us to thrive in a post Hayne Royal Commission environment. This includes being be able to make the necessary investment in Platformplus, including the full integration of a best of breed investment platform capability. We expect to issue an Information Memorandum for rolling over the Convertible Notes before the end of 2020.

A Culture of Partnership

We genuinely value those individuals and businesses with whom we partner, be they one of the ~200 financial advisers, mortgage adviser or accountants operating in ~125 financial advisory practices, or one the many commercial relationships we enjoy.

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

I wholeheartedly thank each of you for your efforts, loyalty and ongoing support. I look forward to continuing my work as Managing Director of Infocus, leading a great team to deliver on our promise each and every day.

Darren Steinhardt
Managing Director

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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 2020.

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 $509k for the year ended 30 June 2020 (2019: $465k). Total revenue for the year was $66,220k (2019: $58,241k). This 14% increase in gross revenue was achieved in an extremely challenging environment for the wealth management industry, with our authorised representatives needing to deliver advice in accordance with increasingly prescriptive regulatory guidelines to a client base suffering the consequences of COVID-19 restrictions.

The increase in revenue was driven primarily from the recruitment of new high-quality advice practices in the B2B business. 37 new self-employed advisers were authorised by this business unit during the financial year.

The Group held $939k in cash at bank at 30 June 2020 (2019: $1,118k). Cash provided by operating activities for the year was $2,359k (2019: $1,072k). Bank borrowings reduced by $1,304k during the financial year, and a further $925k was raised by the issue of additional Convertible Notes on the same terms as the existing Notes.

The Group had net assets of $14,340k at 30 June 2020 (2019: $13,971k).

Impact of COVID-19

COVID-19 has had a significant impact on the Group's staff and the way in which services are delivered to both our B2B and B2C customers. Compliance with health directives and social distancing requirements has significantly impacted the ability of advisers and support staff to conduct face-to-face meetings and to collaborate with one another. However, the quality of our IT systems and resources has meant that we were quickly able to switch to an environment of on-line meetings and working from home.

COVID-19 had the following impact on Group revenues:-

- Direct reduction in those financial planning fees that are based on the value of client funds invested;
- Slow-down in the ability to meet new clients, and establish new advisory services to them;
- Reduction in market-based investment and platform revenues; and
- Slow-down in the recruitment of new offices.

To help mitigate the impact on the business staff were asked to agree to a reduction in their contracted hours resulting in most staff being on 80% of normal wages from 1 April 2020 until 1 August 2020 (when the contracted hours were increased to 90%). Directors also agreed to a 20% reduction in their remuneration effective from 1 April 2020 and this reduction remains in place at the date of this report.

The Group has not qualified for Jobkeeper payments, and was denied access to the Government's Cash Flow Boost due to the ATO's inflexibility in assessing the commercial substance of the business's retained turnover. Government assistance has primarily been limited to some payroll tax relief in a number of jurisdictions.

Likely Developments and Expected Results of Operations

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

We expect a continuation of the high level of movement of advisers between AFSL license holders, and further exits of advisers from the industry. This is primarily as a result of the major banks seeking to exit the advice industry post the Hayne Royal Commission, and also due to pressures on advisers to satisfy onerous new guidelines issued by the Financial Adviser Standards and Ethics Authority (FASEA). We believe that this will continue to provide opportunities for Infocus to increase the number of authorised representatives as advisers seek a "flight to quality".

The other area of change anticipated as a result of the Hayne Royal Commission is a significant reduction in the level of remuneration received by way of commissions and rebates from product providers, including the discontinuance of revenues from legacy 'grandfathered' commissions which have been legislated to cease from January 2021 at the latest.

Infocus will continue to focus on the provision of best practice advice systems, processes and products to enable its advisers to provide compliant advice in the most efficient manner. We also see significant scope to offer these services to small AFSLs and self-licensed advisers.

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 2020, and the number of meetings attended by each Director eligible to attend were:

	Board meetings		Audit & Risk Committee		Research & Investment Committee	
	A	B	A	B	A	B
R McKelvie	14	14	+	+	+	+
D Steinhardt	14	14	+	+	+	+
D Hasib	14	14	4	4	4	4
J Hubbard	14	14	7	7	4	4
K Smith-Pomeroy	14	14	4	4	1	1

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

No matter or circumstance has arisen since 30 June 2020 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 (2019: nil).

Options

There were no options granted or exercised during the year (2019: nil).

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, AMB Capital Partners, Sonder Holdings, CapRaise Financial and Tavas Holdings. He is also a director of a number of other companies.

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 a Graduate Member of the Australian Institute of Company Directors, 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 26 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.

Jon has a Bachelor of Commerce from the University of Melbourne, is a Chartered Accountant (CAANZ), and a Graduate Member of the Australian Institute of Company Directors.

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

Karen is an independent non-executive director and joined the board in September 2015 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.

She is currently Chair of National Affordable Housing Consortium Ltd and Regional Investment Corporation and is a director of a number of companies including Kina Securities Limited, Queensland Treasury Corporation and Stanwell Corporation Limited.

Karen is a Fellow of the Institute of Public Accountants, a Fellow of FINSIA, and a Graduate Member of the Australian Institute of Company Directors.

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), a 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 17 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

24 September 2020
Maroochydore

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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 2020, 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 of Infocus Wealth Management Limited and the entities it controlled during the year.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 24 September 2020

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020* $'000	2019 $'000
Advice and services revenue		65,971	57,974
Rental and dividend income		203	267
Interest income		46	-
Advice and services fees and commissions paid		(48,155)	(40,046)
Employee benefits	3(c)	(9,396)	(10,274)
Professional fees		(1,628)	(1,519)
Occupancy costs*		(373)	(1,501)
Marketing, advertising and conference costs		(416)	(401)
Technology costs		(502)	(448)
Bad and doubtful debts		(212)	-
Other expenses		(2,084)	(1,764)
Operating profit	25(v)	3,454	2,288
Depreciation and amortisation expenses*	3(a)	(1,864)	(1,065)
Finance costs*	3(b)	(890)	(885)
Other income	4	-	296
Profit before income tax expense		700	634
Income tax expense	5	(191)	(169)
Profit for the year		509	465
Total comprehensive income for the year		509	465
Profit for the year is attributable to:			
Non-controlling interest		84	92
Owners of Infocus Wealth Management Limited		425	373
		509	465
Total comprehensive income for the year is attributable to:			
Non-controlling interest		84	92
Owners of Infocus Wealth Management Limited		425	373
		509	465

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

* Reflects the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by the standard, the Group has not restated the comparative information.

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020* $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	6	939	1,118
Trade and other receivables and contract assets	7	8,198	7,670
Assets held for sale	24	1,380	-
Current tax assets		4	2
Total current assets		10,521	8,790
Non-current assets			
Other receivables and contract assets	7	1,231	1,150
Property, plant and equipment	8	438	513
Intangibles	9	21,292	22,495
Right-of-use assets	25(ii)	3,279	-
Deferred tax	5	800	920
Total non-current assets		27,040	25,078
Total assets		37,561	33,868
Liabilities			
Current liabilities			
Trade and other payables	10	5,391	5,284
Current tax liabilities		-	21
Borrowings	11	6,787	4,281
Provisions	12(a)	393	191
Employee benefits	12(b)	785	810
Lease liabilities	25(ii)	1,058	-
Total current liabilities		14,414	10,587
Non-current liabilities			
Borrowings	11	6,312	9,034
Employee benefits	12(b)	33	106
Lease liabilities	25(ii)	2,292	-
Deferred tax	5	170	170
Total non-current liabilities		8,807	9,310
Total liabilities		23,221	19,897
Net assets		14,340	13,971
Equity			
Share capital	13(a)	14,189	14,189
Reserves	13(b)	(513)	(489)
Retained profits		648	262
Equity attributable to the owners of the parent		14,324	13,962
Non-controlling interest		16	9
Total equity		14,340	13,971

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

* Reflects the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by the standard, the Group has not restated the comparative information.

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 30 June 2020

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 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
Effect of change in accounting policy - AASB 16 *Leases* (note 25 (ii))	-	-	(39)	(39)	-	(39)
Restated balance at 1 July 2019	14,189	(489)	223	13,923	9	13,932
Total comprehensive income for the year	-	-	425	425	84	509
Purchase of remaining shares in subsidiary (note 13 (b))	-	(24)	-	(24)	(6)	(30)
Transactions with owners in their capacity as owners: Dividends paid (note 14)	-	-	-	-	(71)	(71)
Balance at 30 June 2020	14,189	(513)	648	14,324	16	14,340

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

Infocus Wealth Management Limited and its controlled entities

Consolidated Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020* $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		65,564	58,008
Payments to suppliers and employees		(62,354)	(56,039)
Interest received		11	5
Interest and other finance costs paid		(849)	(885)
Dividends received		48	77
Income taxes paid		(61)	(94)
Net cash provided by operating activities	16 (a)	2,359	1,072
Cash flows from investing activities			
Proceeds from sale of assets		-	1,462
Payments for purchase of subsidiary	20	(30)	-
Payments for property, plant and equipment		(131)	(55)
Payments for intangibles		(918)	(338)
Net cash (used in)/provided by investing activities		(1,079)	1,069
Cash flows from financing activities			
Proceeds from borrowings		2,604	1,359
Repayment of borrowings		(2,630)	(3,497)
Repayment of lease liabilities		(1,015)	-
Dividends paid	14	(71)	(138)
Net cash (used in) financing activities		(1,112)	(2,276)
Net increase/(decrease) in cash and cash equivalents		168	(135)
Cash and cash equivalents at the beginning of the year		(938)	(803)
Cash and cash equivalents at the end of the year	6	(770)	(938)

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

* Reflects the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by the standard, the Group has not restated the comparative information.

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 2020 were authorised for issue in accordance with a resolution of the directors on 24 September 2020. 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 2020 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

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.

(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.

Note 2. Significant accounting policies (continued)

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.

(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 30-120 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).

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.

Note 2. Significant accounting policies (continued)

(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.

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

The Group assesses on a forward-looking basis the expected credit loss 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.

(j) Property, plant and equipment

Plant and equipment are 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.

Note 2. Significant accounting policies (continued)

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 Group leases office space and equipment for which contracts are typically entered into for fixed periods and may include extension options. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Group. The change in accounting policy for the classification and accounting for leases has been explained in Note 2(y) and the impact of the change in Note 25.

Accounting policies applicable to comparative period - 30 June 2019
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.

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.

Note 2. Significant accounting policies (continued)

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. adviser client 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 the 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 is 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 an equity-settled award is cancelled, and it is treated as if it has vested on the date of cancellation, then any remaining expense is recognised immediately. If any 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 22 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 not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Several other standards and interpretations apply for the first time on 1 July 2019, but do not have an impact on the consolidated financial statements of the Group.

The nature and impact of each applicable new standard or amendment is described below.

(i) AASB 16 Leases

AASB 16 *Leases* replaced AASB 117 *Leases* for all financial years commencing after 1 January 2019 and removed the distinction between operating and financing leases. Primarily impacting the accounting by lessees, the new standard requires the recognition of almost all leases on the balance sheet. The Group has adopted this standard from 1 July 2019 and applied the simplified approach, which does not require restatement of comparative information. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The key changes of this standard that have impacted the accounting policies are summarised below:

Recognition on the statement of financial position

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability, from the date the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Note 2. Significant accounting policies (continued)

Recognition in the profit and loss account and statement of cash flows

The right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term on a straight-line basis. In determining the lease term management has considered all facts and circumstances that create an economic incentive to exercise the extension option. If the Group is reasonably certain that it will exercise the option to renew the lease then the extended period has been taken into consideration for calculating the depreciation amount. The right-of-use assets held by the Group may be subsequently adjusted for any re-measurement of the lease liability to reflect any reassessment or lease modifications identified, or to reflect revised in-substance fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Under the new standard the lease payments are allocated between the principal and the finance cost. The operating expense in respect of lease payments in the profit and loss account has been replaced by the finance cost, calculated by applying the incremental borrowing rate on the remaining balance of the lease liability, and the depreciation cost for the right-of-use assets. This has typically resulted in higher expenses in earlier years and lower expenses in later years with flow on impacts to key metrics like EBITDA.

Operating cash flows in the statement of cash flows are higher under this standard as only the finance cost component is treated as an operating cash outflow in the statement of cash flows while the principal payments have been treated as a financing cash outflow.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of IT equipment.

(ii) AASB Interpretation 23 Uncertainty over Income tax Treatments

AASB Interpretation 23 Uncertainty over Income Tax Treatments clarifies the application of the recognition and measurement criteria within AASB 112 Income taxes when there is uncertainty over income tax treatments. The interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit, tax losses, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The Company adopted the interpretation on 1 July 2019 and upon adoption, assessed that it did not have any uncertain tax positions and therefore there was no impact from the adoption of this interpretation.

(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:

(i) 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.

(ii) 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).

Note 2. Significant accounting policies (continued)

(iii) Provision for impairment of receivables and adviser client claims

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

The provision for adviser client claims assessment requires a degree of estimation and judgement as per note 2(p). Based on information currently available, legacy claims are expected to be resolved throughout the course of the next financial year. Resolution is dependent on the circumstances of each claim and the level of complexity involved.

(iv) 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.

(v) 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.

(vi) 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.

(vii) Lease term extension options and leases in holdover

In determining lease term, extension options are included in some property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Where a lease enters holdover, management estimate the expected lease term and rental based on the available information at the balance date. Any adjustments required due to changes in estimates or entering into a new lease agreement are recognised in profit or loss in the period the adjustments are made.

(viii) Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements.

The estimation uncertainty is associated with:

- The extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus, and
- The extent and duration of the expected economic downturn and the impact on world stock markets.

The Group has developed various accounting estimates in these consolidated financial statements based on forecasts aligned to economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the current circumstances. There is considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

Management does not believe that the COVID-19 pandemic has had any impact on the Group’s ability to continue as a going concern.

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 $509k (2019: $465k), and generated net operating cash flows of $2,359k for the year (2019: $1,072k). The Group's bankers have confirmed that based on the results for the year ended 30 June 2020 they no longer consider the Group to be in breach of its loan covenants. However, with the Convertible Notes due for redemption or conversion within 12 months from balance date the Group has an excess of current liabilities over current assets at balance date of $3,893k (2019: $1,797k).

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 settle its 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 2020 $'000	2019 $'000
(a) Depreciation and amortisation:		
Property, plant and equipment (note 8)	219	257
Write-off of plant and equipment (note 8)	10	-
Intangible assets (note 9)	741	808
Right-of-use assets (note 25(iii))	894	-
Total depreciation and amortisation	1,864	1,065
(b) Finance costs:		
Interest on bank overdrafts and loans	754	885
Interest on lease liabilities (note 25(iii))	136	-
Total finance costs	890	885

(c) Employee benefits
For the year ended 30 June 2020, the Group received Government COVID-19 related stimulus benefits of $172k.

Note 4. Other income

	Consolidated 2020 $'000	2019 $'000
Fair value gain on deferred and contingent consideration	-	202
Profit on sale of client portfolios	-	94
	-	296

Note 5. Income tax

	Consolidated 2020 $'000	2019 $'000
Income tax expense		
Current income tax charge	55	76
Deferred tax relating to origination and reversal of temporary differences	136	93
Income tax expense reported in statement of profit or loss and other comprehensive income	191	169
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	136	140
(Decrease) in deferred tax liabilities	-	(47)
	136	93
Income tax expense reconciled to accounting profit		
Profit before income tax expense	700	634
Income tax expense calculated at 30% (2019: 30%)	210	190
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	189	213
Recognition of previously unrecognised tax losses and temporary differences	(208)	(117)
Fair value gain on deferred and contingent consideration	-	(60)
Non-assessable income	-	(57)
Income tax expense	191	169

Note 5. Income tax (continued)

Deferred tax assets	**Consolidated 2020 $'000**	**2019 $'000**
Deferred tax assets relate to the following:		
Property, plant and equipment	118	106
Employee benefits	246	275
Carried forward losses	62	254
Provisions	225	57
Accrued expenses and other items	128	228
AASB 16 lease adjustments (note 25(ii))	21	-
	800	920
Movements:		
Opening balance	920	1,060
Charged to profit or loss	(136)	(140)
AASB 16 lease adjustments (note 25(ii))	16	-
Closing balance	800	920

Deferred tax liabilities

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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses of $Nil (2019: $208k) 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 2020 $'000	Consolidated 2019 $'000
Cash at bank and on hand	939	1,118

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:

	2020 $'000	2019 $'000
Balances as per above	939	1,118
Bank overdraft (note 11)	(1,709)	(2,056)
Balance as per statement of cash flows	(770)	(938)

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 2020 $'000	Consolidated 2019 $'000
Current		
Trade and other receivables	6,781	6,356
Less: Provision for impairment of receivables	(425)	(356)
	6,356	6,000
Contract assets – mortgage trail commissions	412	383
Prepayments	1,430	1,287
Total current trade and other receivables and contract assets	8,198	7,670
Non-current		
Contract assets – mortgage trail commissions	1,160	1,129
Other receivables	71	21
	1,231	1,150
Total trade and other receivables and contract assets	9,429	8,820

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 $212k (2019: $Nil) in profit or loss in respect of receivables written-off and/or provided for the year ended 30 June 2020.

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	795	595
	795	595

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

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

	Consolidated	
	2020 $'000	2019 $'000
Opening balance	356	356
Addition to provision	69	-
Closing balance	425	356

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to $347k as at 30 June 2020 (2019: $437k).

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	
	2020 $'000	2019 $'000
0 to 3 months overdue	135	29
3 to 6 months overdue	25	10
Over 6 months overdue	187	398
	347	437

Note 8. Property, plant and equipment

	Consolidated	
	2020 $'000	2019 $'000
Leasehold improvements	804	781
Less: Accumulated depreciation	(630)	(560)
	174	221
Plant and equipment	1,893	1,863
Less: Accumulated depreciation	(1,629)	(1,571)
	264	292
	438	513

Note 8. Property, plant and equipment (continued)

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2018	279	436	715
Additions	16	39	55
Write-off	-	-	-
Depreciation expense	(74)	(183)	(257)
At 30 June 2019	221	292	513
At 1 July 2019	221	292	513
Additions	23	131	154
Write-off	-	(10)	(10)
Depreciation expense	(70)	(149)	(219)
At 30 June 2020	174	264	438

Note 9. Intangibles

	Consolidated 2020 $'000	Consolidated 2019 $'000
Goodwill	17,233	17,233
Less: Accumulated impairment	(130)	(130)
	17,103	17,103
Client portfolios	3,558	5,395
Less: Accumulated amortisation	(962)	(964)
	2,596	4,394
IT development & software	3,556	2,638
Less: Accumulated amortisation	(1,963)	(1,640)
	1,593	998
	21,292	22,495

Note 9. Intangibles (continued)

Consolidated	Goodwill $'000	Client portfolios $'000	IT development & software $'000	Total $'000
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
At 1 July 2019	17,103	4,394	998	22,495
Additions	-	-	918	918
Re-classified as assets held for sale (note 24)	-	(1,380)	-	(1,380)
Impairment expense	-	-	-	-
Amortisation expense	-	(418)	(323)	(741)
At 30 June 2020	17,103	2,596	1,593	21,292

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 2020 for each CGU (B2B, B2C and Capalaba) are:

(i) post-tax discount rate 12.0% (2019: 13.1%);
(ii) projected average growth rates 5.8% (2019: 6.7%); and
(iii) terminal growth rates 2.5% (2019: 2.5%).

The goodwill was allocated to the following CGUs: B2B $5,276k (2019: $5,276k), B2C $10,958k (2019: $10,958k), Capalaba $869k (2019: $869k).

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.

If the post-tax discount rate applied to cash flow projections of Capalaba as a CGU had been 1.9% higher than management's estimates (13.9% instead of 12.0%) with other assumptions being equal an impairment would be recognised against the goodwill in Capalaba of $5k.

Note 10. Trade and other payables

	Consolidated 2020 $'000	2019 $'000
Trade payables	4,279	4,001
Other payables	1,112	1,283
	5,391	5,284

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

Note 11. Borrowings

	Consolidated 2020 $'000	2019 $'000
Current		
Bank overdraft	1,709	2,056
Secured bank loans	900	1,200
Convertible notes [(a)]	3,015	-
Unsecured corporate loans	1,163	1,025
Total current borrowings	6,787	4,281
Non-current		
Secured bank loans	6,287	6,944
Convertible notes [(a)]	-	2,090
Unsecured corporate loans	25	-
Total non-current borrowings	6,312	9,034
Total borrowings	13,099	13,315

(a) The Company issued 3,015,000 9% convertible notes for $3,015k. 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 2020 $'000	2019 $'000
Financing arrangements		
Total facilities available from bank	10,952	11,929
Facilities used at balance date	(8,896)	(10,200)
Facilities available from bank at balance date	2,056	1,729

Note 12 (a). Provisions

The carrying amount and movement in provision for adviser client claims are as follows:		
Opening balance	191	194
Claims provisioning expense/(recoveries) for the year	393	(3)
Claims settlements paid	(191)	-
Closing balance	393	191

Note 12 (b). Employee benefits

Current		
Leave obligations	785	810
Non-current		
Leave obligations	33	106
Total employee benefits	818	916

Note 12 Provisions and Employee benefits (continued)

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			
	2020 Shares	**2019 Shares**	**2020 $'000**	**2019 $'000**
Ordinary shares - fully paid	43,213,630	43,213,630	14,189	14,189
	43,213,630	43,213,630	14,189	14,189

There were no share issues for the year ended 30 June 2020 (2019: 3,981,721 shares for $1,672k).

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

	Consolidated	
	2020 $'000	**2019 $'000**
Opening balance	489	489
Purchase of remaining shares in subsidiary (note 20)	24	-
Closing balance	513	489

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 at 30 June 2020 (refer to note 2 (aa)).

Note 14. Dividends

	2020 $'000	2019 $'000
Final dividend paid by controlled entities		
Final dividend for the year ended 30 June 2020: $710.00 (2019 final dividend paid $730.00) per ordinary share to non-controlling interest by Capalaba Financial Planning Pty Ltd	71	73
Final dividend for the year ended 30 June 2020: $Nil (2019 final dividend paid $5.42) per ordinary share to non-controlling interest by Announcer Business Advisory Pty Ltd [2]	-	65
Total dividends paid [(1)]	71	138

(1) All dividends paid are franked at a tax rate of 27.5% and/or 30%

(2) The Group purchased the remaining 50% interest in this entity on 1 July 2019

Dividend franking account

	Consolidated 2020 $'000	2019 $'000
Franking credits available for subsequent financial years	1,373	1,319

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.

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

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 (i.e. bank overdraft and bank loans) in the Group:

	Consolidated	
	2020 $'000	**2019 $'000**
Bank overdraft and bank loans	8,896	10,200

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 $62k lower/$62k higher (2019: $71k lower/$71k higher).

Currency risk

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

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.

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

(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.

The Group has also provided vendor finance to one of its authorised representatives to purchase of a book of clients from the Group. The loan is contingent on the adviser remaining authorised with Infocus Securities Australia Pty Ltd and is secured by a charge over the client book and the brokerage revenues that Infocus collects from the servicing of those clients.

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.

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 2020	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Total $'000**	**Carrying amount $'000**
Trade and other payables	5,391	-	-	5,391	5,391
Borrowings	7,161	1,267	5,281	13,709	13,099
Lease liabilities	1,111	973	1,433	3,517	3,350
	13,663	2,240	6,714	22,617	21,840

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

At 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'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

(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.

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 borrowings 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 was classified as Level 3 and related to the business combination with issue of shares in the Company to the former shareholders of Announcer Group.

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance 1 July	-	1,874
Gain recognised in profit or loss under other income	-	(202)
Issue of shares	-	(1,672)
Closing balance 30 June	-	-

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Net profit after income tax	509	465
Adjustments for:		
Fair value gain on deferred and contingent consideration	-	(202)
Profit on sale of client portfolios	-	(94)
Non-cash mortgage trail commissions	(60)	(125)
Depreciation and amortisation expenses	1,864	1,065
Bad and doubtful debts expense	212	-
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(513)	(338)
Increase in trade and other payables	147	328
Increase/(decrease) in provisions and employee benefits	103	(104)
Decrease in deferred tax assets	120	140
(Decrease) in deferred tax liabilities	-	(47)
(Decrease) in net tax liabilities	(23)	(16)
Net cash provided by operating activities	2,359	1,072

Liabilities from financing activities:		
Borrowings and lease liabilities opening balance (note 11)	13,315	15,293
Recognised on adoption of AASB 16 lease liabilities (note 25 (ii))	2,588	-
Proceeds from borrowings	2,604	1,359
Repayment of borrowings	(2,630)	(3,497)
Acquisition of leases (note 25(ii))	1,640	-
Repayment of lease liabilities	(1,015)	-
Interest and other finance costs	890	885
Cash flows from bank overdraft	(943)	(725)
Borrowings and lease liabilities closing balance (note 11) and note 25(ii)	16,449	13,315

Note 17. Contingent liabilities and contingent assets

There were no material contingent liabilities or contingent assets at the date of this report.

Note 18. Commitments

Operating lease commitments

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. From 1 July 2019 the Group has adopted AASB 16 *Leases* and recognised the lease liabilities and associated right-of-use assets for these leases (refer to Note 25).

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Contracted operating lease commitments		
Within one year	-	1,008
One to five years	-	2,331
	-	3,339

Note 19. 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	
	2020	**2019**
	$	**$**
Short-term employee benefits	1,913,510	2,090,083
Post-employment benefits	147,800	139,324
	2,061,310	2,229,407

The remuneration of directors and key executives is determined by the Board in relation 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 20.

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 employment costs to a director; Mr D. Steinhardt and his spouse Mrs S. Steinhardt and also acquired services from an entity related to the director and his spouse for consulting services, rental of premises in Maroochydore, and for providing financial guarantees to the Group's bankers.

	2020 **$**	**2019** **$**
Employment costs – D Steinhardt	427,353	-
Employment costs – S Steinhardt	63,064	54,670
Payment for services – related entity for consulting services	-	399,400
Payment for services – related entity for financial guarantees	71,871	81,436
Payment for services – related entity for rental premises	496,458	480,967
Total	1,058,746	1,016,473

	2020 **$**	**2019** **$**
The Group has issued convertible notes payable to key management personnel as follows:		
Convertible notes	750,000	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 20. 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):

	Percentage of shares held	
Entity name[1]	**2020**	**2019**
Alpha Fund Managers Pty Ltd	100%	100%
Alpha Investment Management 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%
Capalaba Financial Planning Pty Ltd	50%	50%
Commission Refunders Pty Ltd	100%	100%
Earnie Pty Ltd	100%	100%
Infocus Financial Planning Pty Ltd	100%	100%
Infocus Lending Advisory Pty Ltd	100%	100%
Infocus Property Advisory Pty Ltd	100%	100%
Infocus Securities Australia Pty Ltd	100%	100%
Infocus Tax & Business Advisory Pty Ltd[2]	100%	50%
Mortgage Prevue Oxygen Pty Ltd	100%	100%
PATRON Financial Trust	100%	100%
PATRON Mortgage Advice Pty Ltd[3]	-	100%
Platformplus Pty Ltd	100%	100%
Portfoliofocus Pty Ltd	100%	100%
Portfolio Administration & Reporting Pty Ltd	100%	100%
Sunshine Coast Financial Planning Pty Ltd	100%	100%

1 All entities are incorporated in Australia.

2 The remaining 50% interest was acquired for $30k on 1 July 2019.

3 This entity was deregistered during the year ended 30 June 2020.

Subsidiaries with material non-controlling interests

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

Note 21. Auditor's remuneration

	Consolidated	
	2020	**2019**
	$	**$**
Audit and review services		
Auditor of the Company - BDO		
- Audit and review of financial statements	59,000	56,000
Other services		
Auditor of the Company - BDO		
- Other assurance and taxation services	34,000	47,277
Total auditor's remuneration	93,000	103,277

Note 22. Parent entity information

The parent entity financial information is presented as follows:

Statement of financial position

	2020 $'000	2019 $'000
Total current assets	1,856	507
Total assets	29,845	26,948
Total current liabilities	8,938	5,241
Total liabilities	17,584	14,381
Equity		
Share capital	14,189	14,189
Accumulated losses	(1,928)	(1,622)
Total equity	12,261	12,567

Statement of profit or loss and other comprehensive income

	2020 $'000	2019 $'000
Loss after income tax	(306)	(325)
Total comprehensive income	(306)	(325)

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 2020 (2019: $Nil).

Note 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

Note 24. Assets held for sale

The Group has agreed to sell some of its client portfolios to staff advisers. Consequently, these client portfolios are disclosed as held for sale at 30 June 2020 (refer note 9).

Note 25. Impact of implementation of AASB 16 *Leases*

This note explains the changes in accounting policy and the impact of the reclassification and adjustments arising from the new leasing rules on the opening statement of financial position as at 1 July 2019 and the financial statements for the period ended 30 June 2020.

The Group’s leasing activities relate to various office premises and office equipment leased at various locations around the country. Rental contracts are typically for a fixed period of 3 to 5 years but may have extension options. Lease terms for office premises are negotiated on an individual basis and contain a wide range of different terms and conditions whilst the equipment lease is negotiated on an aggregate basis.

Change in accounting policy

Prior to 1 July 2019 under the previous standard AASB 117 *Leases*, the leases were classified as operating leases and were not required to be disclosed in the statement of financial position. Payments under these operating leases were charged to the statement of comprehensive income on a straight-line basis over the period of lease. On adoption of AASB 16, the Group is required to recognise the lease liabilities and associated right-of-use asset relating to property, plant and equipment leases in the statement of financial position. The lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019 which was 5%. The associated right-of-use asset for the property, plant and equipment leases was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position as at 30 June 2019. Each lease payment has been allocated between repayment of the lease liability and a finance cost.

The finance cost is charged to the statement of comprehensive income over the period of lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the asset's useful life and lease term on a straight-line basis.

In adopting AASB 16 for the first time the Group has applied the simplified approach which does not require restatement of comparative information and has enabled it to adopt the following practical expedients:

- applying a single discount rate to a portfolio of leases having similar characteristics
- reliance on the lease assessment conducted under the previous standard AASB 117 *Leases*
- treating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact of adoption

(i) Lease liabilities recognised in the Statement of Financial Position

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	3,339
Less: leases with remaining term less than 12 months as expense	(122)
Add: other minor adjustments relating to commitments disclosure	56
Operating lease commitments before discounting	3,273
Discounted using the lessee's incremental borrowing rate	(685)
Lease liabilities recognised as at 1 July 2019	2,588

(ii) Amounts recognised in the Statement of Financial Position

	30 June 2020 $'000	**1 July 2019 $'000**
Right-of-use asset*		
Properties	3,255	2,473
Equipment	24	60
Total	3,279	2,533

*Additions to the Right-of-use assets during the 2020 financial year were $1,640k.

Lease liabilities		
Current	1,058	725
Non-current	2,292	1,863
Total	3,350	2,588
Deferred tax assets	21	16
Charge to opening retained earnings	-	39

(iii) Amounts recognised in the Statement of Comprehensive Income

	30 June 2020
	$'000
Depreciation relating to Right-of-use assets	894
Interest expense (finance cost)	136
Expenses relating to short-term leases	373
Total	1,403

(iv) Total cash outflows relating to operating leases

Lease repayments disclosed under financial activities	1,015
Interest payments disclosed under operating activities	136
Total	1,151

(v) Impact on earnings

The impact on the consolidated profit and loss for the year ended 30 June 2020 as a result of the adoption of the new leases standard is set out below. The 'Historical' profit and loss reflects the results of the Group in accordance with the previous leasing standard AASB 17. The 'Reported' profit and loss reflects the results of the Group as reported in the Statement of profit or loss and other comprehensive income, prepared in accordance with the new leasing standard AASB 16 *Leases*.

	Historical	**Impact**	**Reported**
	$'000	**$'000**	**$'000**
Operating profit/EBITDA	2,439	1,015	3,454
Depreciation and amortisation	(970)	(894)	(1,864)
Finance costs	(754)	(136)	(890)
Profit before income tax	**715**	**(15)**	**700**
Income tax expense	(196)	5	(191)
Profit for the year	**519**	**(10)**	**509**

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 2020 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

24 September 2020
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 2020, 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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, 24 September 2020