ANNUAL REPORT 2021

INFOCUS WEALTH MANAGEMENT
ABN: 28 103 551 015

infocus

About us

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

At our heart, we are an advice business. At our commercial core, we are the builders of a comprehensive framework offering all the operational, infrastructural, and professional elements to successfully serve multiple levels of the financial advice industry - and we achieve this in a continually evolving and complex regulatory environment.

Philosophically, we strive to be the partner of choice for quality financial advisers.

Strategically, we achieve this through our unique ability to offer a suite of services that enable advisers to engage with us in a way that serves their business model and needs.

Our values demand innovation and we don't subscribe to the notion of being a 'normal' advice firm. We are unapologetically ambitious; we demand better for our advisers, clients, and our entire industry; and we believe that being a passive participant is not enough.

We have set the bar much higher.

Delivering on our vision

Centered around the twin philosophies of **Advice** and **Operational** Excellence, we deliver on our vision by helping our partners grow revenue and serve their clients, enhance operational efficiencies, and effectively manage risk.

We're completely unique in our peer group, as not only do we have a 'best practice' Advice component as part of our offering, but also a 'best practice' Infrastructure component including governance, investment management and financial technology. We offer flexible solutions in an era where so many elements of advice practices are mandated by external and regulatory sources.

We haven't arrived at this position by accident - we've been building the foundations for 27 years, and over the past 4 years our focus on reaching this position has been laser sharp.

We are here and ready to play a bigger game.

Key Operations

Infocus has strategically evolved to an operational structure focused on Advice and the Infrastructure that facilitates it.

Advice is provided direct to clients via our salaried advisers (Business to Consumer) "B2C" service offering in four locations – Sunshine Coast, Brisbane, Sydney and Melbourne. The B2C business seeks to operate as an exemplar across advice, operations, and client engagement.

Advice is also provided via our Business to Business "B2B" advisory network, comprising 124 practices across Australia, who are licensed and supported under the Infocus AFSL service offering.

Infrastructure focused business units facilitate this advice, via a breath of services and solutions covering Governance, Research and Technology (Platformplus).

Together via this Advice and Infrastructure operational framework, Infocus delivers our vision to be the partner of choice for quality financial advisers.

ADVICE		
infocus advisory	B2C	Offices in the Sunshine Coast, Brisbane, Sydney and Melbourne Beta site operating as the exemplar across the country Incubator of future B2B practices Locum services inc. advisory
	B2B	National network and community of 120 advisory practices Driver of scale via: Infocus label, white label, grey label AFSL services
INFRASTRUCTRE		
infocus Wealth Management	Governance	Regulatory Legal Compliance Finance HR/ People A beneficiary of scale
alpha Investment Management	Research	FUA governance and risk management Advisory network research (APL etc.) Investment philosophy Investment management and portfolio construction Implementation and management: implemented and bespoke solutions A beneficiary of scale
PLATFORM+ WEALTH MANAGEMENT SYSTEM	Fin. Tech	AMS, RMS, WRAP Advice Governance and risk management Client management and advice generation / provision / maintenance Driver of advice process and practice management efficiency A beneficiary of scale

Annual Achievements

With the unrelenting burden of regulatory change and the ongoing impact of the global COVID-19 pandemic, we adopted bold new initiatives for the 2021 financial year which would help give us greater long-term control of our destiny and enable our continued focus on advice excellence and sustainable growth.

Strategically, our priorities revolved around expanding the broader market for Platformplus, growing the advisory network and onboarding new practices with greater operational efficiency, and developing our most ambitious new offering, PlatformplusWRAP.A high-level review of our achievements is tabled below, with further detail in the Managing Director's report.

Strategic Pillars	Results
Growth	• Adviser numbers grew slightly (0.6%) to reach 180 across our advisory network • Total offices numbers retracted (-4%) from 129 to 124, reflecting our efforts to recruit more substantiative businesses, as well as attrition at the lower end • Gross revenue increased by 10% to $72.7 million • Funds under Advice grew significantly (18%) to $8.5 billion • Risk premiums under Advice also grew (20%) to $125.6 million
Operational Excellence	• Platformplus: we transformed our traditional fintech offering into a broader market offering with the launch of PlatformplusWMS (Wealth Management System) comprising the end-to-end solution of PlatformplusAMS (Advice Management System), PlatformplusRMS (Revenue Management System), and the soon to be launched PlatformplusWRAP. • The absence of an integrated modelling solution within Platformplus became increasingly apparent in the broader market and is viewed as an essential long- term component of the system. We are working on a solution for this. • Onboarding: recruitment of larger, more complex practices and conversely, those transitioning from institutions as single operators, presented different onboarding challenges and opportunities. This helped redefine and discipline our approach, utilising a combination of resources across our divisional teams in Finance, Partnerships, Professional Standards, Research & Investment, Business Services and Marketing.
Trust and Teamwork	• Modelled financial impacts of the pandemic compelled us to reduce work and remuneration for team members to 80% FTE initially, transitioning to 90% and back to 100% as soon as practically possible. This enabled us to navigate the uncertain commercial impact of COVID and retain ~96% team members. • The continued impact of the COVID-19 pandemic also necessitated the transition of most team members to ongoing working from home arrangements.
Partnership	• Travel restrictions from COVID-19 also severely impacted our normal Events & Engagement calendar, with no iCON20 or iCON21 scheduled. • Professional development activities doubled with digital delivery via twice monthly webinars, plus the introduction of Infocus Masterclass – a virtual training and development keynote, including a peer-to-peer element. • Fortunately, we were able to successfully deliver two first class in person events, namely BLF21 (Business Leaders Forum) in Noosa during March and the National Professional Development Roadshow during May.

Results Summary

	FY21 ($,000)	FY20 ($,000)	Change from FY20 (%)	FY19# ($,000)
Gross revenue	$72,696	$66,160	10%	$58,241
Brokerage payments and related costs	$(56,924)	$(48,155)	18%	$(40,046)
Net revenue	$15,772	$18,005	-12%	$18,195
EBITDA	$2,113	$3,068	-31%	$2,584
less other income	$(331)	$(249)	33%	$(296)
Operating profit	$1,782	$2,819	-37%	$2,288
less interest	$(818)	$(890)	-8%	$(885)
less depreciation and amortisation	$(1,727)	$(1,864)	-7%	$(1,065)
less impairment	$(147)	Nil	n/a	Nil
add other income	$216	$0	n/a	$296
NPBT	$(694)	$65	n/a	$634
NPAT	$(589)	$64	n/a	$465
EPS	$(0.01)	$0.00	9%	$0.01

FY19 numbers for EBITDA, interest, and depreciation and amortisation do not include the impact of AASB16 Leases

	FY21	FY20	Change (%)	FY19
FUA	$8.5b	$7.2b	18%	$5.9b
RPUA	$125.6m	$104.6m	20%	$88.7m
Advisory Practices	124	129	-4%	100
Advisers	180	179	0.6%	160

Chairman's Report

Dear Shareholder

We have just experienced another year of significant change as our industry continues to deal with more regulatory responses to the Hayne Royal Commission into financial services. The need for change in financial services was unquestionable, but with the rapid exit from the industry of the largest culprits of systemic poor behaviour in the months after the Commission's findings were handed down, it is questionable as to whether the overly prescriptive changes to the rules governing the provision of financial advice were in the best interests of clients. We believe that the regulatory response has resulted in an environment where the industry is being constrained from providing affordable advice to all those who need it.

Whilst we will do our utmost to lobby for regulatory policy settings that are more conducive to the delivery of quality affordable advice, we recognise that we also have an obligation to "get on with it" and be successful working within the framework we have been given. To that end, we focussing on providing systems and solutions that will deliver sustainable efficiencies for advisors in the delivery of best practice advice to clients.

Your Board of Directors believe that the Company's technology-based strategy to enable the delivery of advice at scale is the key to ensuring it will thrive in the new financial services landscape. The investment in the Platformplus suite of systems will provide a significant point of difference in our service offering, and will be the enabler of growth.

Overview of 2021 Financial Year

The year ended 30 June 2021 was the first in a period of transition to a new earnings model. The discontinuance of multiple lines of revenue from financial product providers resulted in a year-on-year reduction in product revenue of over $1.5 million. We have a sound strategy for the replacement of this revenue stream, involving the implementation of our own platform solution, but it will take a couple of years to build this to a level where it exceeds the revenue forgone this year.

The 2021 financial year also saw most of our network of self-employed advisers having to review and adjust their revenue models in response to regulatory changes. To ensure compliance with ASIC's rigid requirements for providing statements of advice to clients on an annual client service agreement we ran an extensive "Business Health Check" program across our adviser network. Whilst the outcome of this "cleaning house" exercise is a fully compliant business model going forward with some efficiencies in practice management and advice delivery, it came with a cost to the 2021 results. Ongoing fees were turned off for some clients and refunds were paid. The significant amount of time and effort put into this process by advisers reduced their capacity to go out and find new clients. This, and the restrictions on face-to-face meetings as a result of Covid-19, resulted in a down-turn in up-front advisory revenues for most offices.

Our primary focus during the year was to deliver the necessary system changes and support processes to enable our advice network to adjust to the new regulatory settings, and to provide a platform for strong growth as our economy comes out of lockdown.

Financial Results

The consolidated net result for the year after tax was a loss of $589k (FY20: Profit of $64k).

Our key measure of profitability is EBITDA and we delivered a result of $2,113k for the year (FY20: $3,068k). These results are not where we want them to be, or what shareholders expect and deserve. As indicated above we experienced a reduction in product revenue of $1,527k compared to the previous year, all of which flows through directly to EBITDA. We also incurred $1,383k in non-recurring costs which are detailed in the Managing Director's Report. We are confident that these legacy issues are behind us, and that Management have the right strategy to restore lost product revenues.

We rolled-over and increased our Convertible Note funding in June, and received some additional late investments post balance date taking the total notes on issue to $4,082k at the date of this report.

We also continue to enjoy the support of our bankers (Westpac) who recently agreed to an extension of our existing term loan facilities.

Corporate Governance

This has been another very busy year for your Board of Directors with 11 meetings held throughout the year to 30 June 2021, and a further 9 sub-committee meetings held during the year. I am pleased to advise that a very diligent and healthy Board achieved a 100% attendance (74 out of 74 invites) for these meetings. This is a relatively high number of meetings for a public company of this size, but the Board are of the opinion that this is a beneficial approach for all parties given the quantum of external factors that need navigating.

We welcomed Craig Holland to the Board in November 2020 as a non-executive director, and I am pleased to say that he has been quick to grasp a clear understanding of the key issues faced by the Company and the financial services industry. Craig is a member of our Audit and Risk Committee and has also been the Chair of our Research & Investment Committee since December 2020.

An Extraordinary General Meeting of shareholders was held on 27 October 2021 at the request of a group of requisitioning shareholders. The tabled motions, all relating to changes in the composition of the Board of Directors were defeated.

People

The past year has been a challenging one for our Company, the industry we operate in, and the broader community as we dealt with significant industry change whilst coping with the impact of the Covid-19 pandemic. We have had staff in NSW and Victoria who have spent much of the year locked out of their offices, and the state-based border restrictions have prevented our teams from getting together and collaborating as we would ordinarily. We have numerous new staff who have had to complete their induction programs at home and have not yet met many of their colleagues face-to-face.

Our people have shown great professionalism and resilience through these difficult times and I would like to offer a heartfelt thanks to all our team around the country 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 for FY2021.

I've been back in the role of Managing Director of this company, the company that my wife Stephanie and I founded 27 years ago, for 4 years now and it's been a tough journey. I believe that together with my executive team I have done a good job so far but there is more to do. While the evolving profession in which we operate continues to be in a state of flux, and our business is complex, the outcome we seek of material improvement in company performance is getting closer each day.

I and my executive team are, and have been, working diligently towards this objective, an objective which will of course lead to the repayment of the trust and patience to each of you who have invested in the company, and for which I am truly thankful.

Participants in the developing financial advisory profession would be right to think that we've been going through a transitional year for each year of the past decade, during which time the evolution of the financial services industry to a financial advisory profession has made much necessary progress. FY2021 continued this theme with its conclusion drawing a hard line in the sand with the past now well and truly behind us, and the dawning of a new and proud profession beginning to emerge.

FY2021 has been a classic 'tale of two halves' with H1 bringing to a conclusion the business models and practices of the past, followed by H2 heralding the business models of the future. The outcome of the tale of two halves on our business was profound. H1 was as expected quite successful off the back of the solid growth achieved in the current and prior periods, yet H2 was as expected quite challenging with the regulations banning former legitimate sources of revenue coming into effect and the continually changing regulatory framework off the back of the Hayne Royal Commission adding complexity of questionable value while pushing up input costs across all areas of our business. The 12 months of FY2021 also presented us with a myriad of challenges outside the four walls of the developing financial advisory profession. The ongoing disruptive impact of COVID-19, with the extended periods of lockdown and restrictions on travel across the country proved to be significant. While we're a company comfortable operating in the digital environment, doing so for months on end with minimal direct human contact took a toll through the period, especially on those of our team members and our clientele in Sydney and Melbourne. We're thankful that our teams, their families and those of each of our clients and stakeholders, have to date, successfully navigated their way through COVID-19.

The period presented us with myriad challenges that were beyond our control, never-the-less we successfully managed their impacts and took advantage of opportunities that arose from the same.

During the period, Infocus continued the growth trajectory commenced in December 2017, and as such we close out FY2021 at record levels of financial advisers, funds under advice, and funds under management, with a strong pipeline of activity which will see our rate of growth sustained for the foreseeable future. Specifically, as we closed out FY2021 Infocus had:

- A wonderful team of 95 skilled and capable people, each aligned to our culture, values, and committed to our vision.
- A national network of ~200 financial advisers, credit representatives and accountants operating in 124 advisory practices across Australia, managing $8.53Bn in Funds under Advice (FUA) and $126m in Risk Premiums under Advice (RPUA). We're now firmly entrenched in the Top 20 list of financial advisory networks based on size.
- A B2C division well advanced with its evolution to best practice advisory and operational standards, which we're confident will once more become the 'exemplar' that peers will seek to emulate.
- A B2B division which continues to grow with market share of > 1%, reversing the industry-wide trend of material contraction since December 2018. Our B2B division operates in line with the highest standards in quality, risk and governance, while meeting operational expectations and results. It continues to be well positioned for sustained growth.
- Our Research and Investment Management division continuing its quality and prudent approach to the management and oversight of our Approved Product List and its implementation, while also providing industry leading

implemented investment portfolios aligned to our Investment Philosophy under the structures of Separately Managed Accounts (SMAs), Investment Trusts and Model Portfolios.

- Our Financial Technology division going from strength to strength, receiving formal recognition as an industry leader in the 2021 Adviser Ratings survey. The Platformplus Wealth Management System (WMS) now covers CRM, Advice Generation, Revenue Management and Governance Management systems, and with the soon to be launched WRAP system, we'll become the first end-to-end wealth management technology system in the country.

FY2021 also heralded the commencement of our 'Playing a Bigger Game' strategy. Playing a Bigger Game is a strategy which, when complete, will see Infocus achieve its evolution from a mid-sized player in the developing financial advisory profession, to a strong Tier 1 participant in the Wealth industry with profitable business units covering Advice, Financial Technology and Investment Management that can operate on a stand-alone basis, but are stronger synergistically. Successful execution of our Playing a Bigger Game strategy will see the company more than simply recover from the planned and unplanned disruption out of the Hayne Royal Commission, which we will do while also leveraging the disruption caused by this exercise for the benefit of the company and all stakeholders. Playing a Bigger Game will see Infocus arise as a large high-quality enterprise of material value, repaying the commitment given by our people and the investment made by our shareholders.

Our Operating Environment

The industry theme over the past 12 months has been ASIC / FASEA / Hayne Royal Commission driven change. The implementation of most of the operational provisions of the new regulations has driven an irreversible change to the face of the industry. This change has driven the need for adjustments to business and revenue models, advisory processes and our governance frameworks. We welcome this change, as it has provided an opportunity to draw a line in the sand to cease legacy, outdated and inefficient business practices while driving the actions necessary for the dawn of a new financial advice profession.

Industry dislocation continues its trajectory of the past couple of years, providing an opportunity for sustainable growth of quality advisers. It has presented a unique opportunity for Infocus as our Client Value Proposition (CVP), which revolves around helping advisers be better advisers and run better businesses, resonates with our target audience. Further, increased complexity in advice and regulatory requirements is now highlighting differences in AFS Licensees with a 'flight to quality' beginning to emerge.

During FY2021 the decline in adviser numbers in the industry was ~11.4%, and followed a ~14.9% decline in FY2020. We now have a developing profession containing 18,985 advisers, down from a high of 28,528 advisers in December 2018. We expect the ongoing dislocation, together with the maintaining of the elevated level of 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.

Delivery on FY21 Priorities

The priorities we set for the business revolved around effective long-term control of our own destiny, and to enable our continued focus on advice and operational excellence, as well as sustainable growth. The priorities that we set for ourselves for FY2021 and the results are noted below:

- Expansion of the Market for Platformplus – the distribution of Platformplus beyond the Infocus advisory network was one of our key priorities, to this end we completed work segmenting the all-encompassing Wealth Management System (WMS) into the sub-systems of Advice Management System (AMS) and Revenue Management System (RMS), with WRAP set to be added in FY2022. Following the addition of a small number of external clients we identified a shortcoming in our financial modelling capabilities which we will address in the near term prior to once again releasing WMS to the external market.

- B2B Recruitment – following a year of record growth in FY20, FY21 saw a solid growth rate maintained with a further 19 advisory practices added to our network, slightly below our objective of 25 advisory practices. On the flip side we saw the impact of the unrelenting regulatory burden begin to take hold with many smaller advisory practices merging, selling or moving to lower cost competitors of lesser standards. The net impact of this was a very slight growth in adviser numbers by 1, a reduction in advisory practice numbers by -5, but material growth in brokerage revenues and funds under advice, both growing by 18%.
- PlatformplusWRAP – the development of an IDPS and Superannuation platform, to complete our end-to-end technology solution is a bold move, and one not yet undertaken by any other industry participant. Development during the period has seen the platform take shape, the issuing of our various licenses, and the engagement of all counter-parties. We're looking forward to bringing PlatformplusWRAP to the market towards the end of FY2022.
- B2C Enhancement – we made material progress towards the evolution of our B2C advisory practice, Infocus Advisory, into a best practice 'exemplar' operational model during the period including the completion of a Business Health Check ("BHC"). In order to ensure we uncovered and addressed any potential former advice issues the BHC tested and reviewed advice previously provided, and the meeting of ongoing obligations, with remediation paid where shortcomings were identified. This unfortunately impacted our financial results. Off the back of the resolution of legacy issues as well as the enhanced operational and advisory capability, I expect this division to return to an acceptable level of performance in FY22.
- SMA Adoption – following the successful launch of our series of Separately Managed Accounts in FY2020, we were seeking broad adoption of the investment capability across our advisory network. By 30 June 2021 there had been $410m of recommendations for investment in the SMAs, with $330m of that in Funds Under Management at that date with an additional $80m expected to flow through post 30 June. With an advisory network penetration rate at 38% we expect continued growth in FY2022.

Financial Results

Infocus is now firmly entrenched in the Top 20 largest advisory networks in the country. We're growing, and we're one of only a handful in our peer group who has achieved any level of positive organic growth over the past four years. We're at record highs in 4 of our 5 our important KPIs including Adviser numbers, Funds under Advice and Funds under Management with a FY2022 recruitment pipeline that will see these numbers reach new records. We're an exceptionally clean and compliant business having worked diligently over the past four years and taken the difficult decisions. However, we're not yet obtaining the return deserved by our stakeholders and required by our shareholders.

Whilst we have continued to see growth for the year in key headline metrics resulting in higher gross revenue, this has not translated into profitability … yet.

The numbers in the Results Summary on page 5 are as per reported in the audited financial statements, and we have not sought to normalise the results to show underlying profitability, but it is useful to separately identify some of the significant items that have impacted the results for the year to 30 June 2021. The following non-recurring expense items were included in the reported net profit before tax ("NPBT"):

	$'000
Client fee refunds under BHC remediation program	400
AFCA re-opened Hayne Royal Commission legacy client claims	188
Write-off of adviser recoverables on legacy client claims	169
Impairment of goodwill (Capalaba)	147
Additional costs associated with the renovation of Alpha funds	479
Total non-recurring	1,383

In addition to these non-recurring costs, the results for the year to 30 June 2021 were also significantly impacted (relative to prior years) by the discontinuance of product related payments from platform providers, as a consequence of the recommendations from the Hayne Royal Commission. "Grandfathered" commissions and rebates were outlawed from 1 January 2021, and in practice many product providers chose to turn off these payments earlier. As a result, revenue from this source, reduced by approximately $752k compared to the year ended 30 June 2020. A number of key platform providers that Infocus provided services to also took the opportunity to discontinue other product related fees and rebates, resulting in a further $775k reduction in revenue compared to the prior year.

Together, the combination of the non-recurring expenses and the loss of platform revenues has resulted in a reduction in NPBT of approximately $2,901k.

Whilst the expense items were non-recurring, the reduction in product related revenue is a permanent impact that we are having to deal with going forward. The development and implementation of Platformplus Wrap is an integral part of our strategy for dealing with this permanent impact, and although it will take some time to get to a point where we have replaced all of the lost revenue, once operational Platformplus WRAP will provide us with a product solution and an associated revenue stream that is largely under our own control and that is highly scalable.

The year ahead

I'm confident in the future of the developing financial advisory profession. The regulatory change will soon settle with industry numbers somewhere around what is believed to be the sustainable number of 14,000 advisers. This will give Australia a similar ratio of advisers per 1,000 of population consistent with the more developed financial services markets in the developed world.

I'm also confident that our 'Playing a Bigger Game' strategy and each of its elements are right, and that we're doing the right things at the right time. I'd like to be able to do these things faster, but my preference is to do it right … but rest assured we'll get there.

So, what's 2022 looking like?

I don't expect 2022 to be materially different from 2021. We'll still be impacted by things beyond our control (COVID-19, federal election, the mood of the community). We'll continue to work diligently and we'll get a culture kick whenever we can have more in person events. We'll see the benefits of the work undertaken over the past 4 years with compounding benefits of this work continuing to amass, and while we may not get to a record level of Net Revenue, we'll definitely see improvement over FY2021. We'll also see more of the benefits of the good investments we've made over the past 4 years in our people, our systems, our network and our developing profession.

Our Playing a Bigger Game strategy, and the strategic priorities for FY2022 will see:

- the continuation of the Advice and Operational Excellence program.
- the continued growth of our B2C and B2B divisions, delivering material scale to the business.
- the continued evolution of our Investment Management function, including the completion of the renovation of our Alpha Series of managed funds and an exciting relaunch.
- the ongoing enhancement of the Platformplus Wealth Management System, including the launch of WRAP, delivering true end-to-end technology that will provide a material leap in enhanced operational efficiencies.
- a broadening of the potential client list as more small / medium AFSLs seek to align to our growing professional community.

Our Culture of Partnership

We seek to be an active and meaningful partner with each individual and business with whom we are fortunate to work, 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. We genuinely enjoy these relationships and the 2-way value flow that emanates from our engagement.

During the year we welcomed new team members at various levels of the organisation, invested in strong operational capacity, and strengthened and refreshed capability across the organisation. We'll continue to invest in our people and teams, with both structured and unstructured professional development and our 'high touch / high value' engagement model.

We continue to enjoy and lever the expertise of our advisory partners in evolving and developing solutions through the Adviser Council, our Business Leaders Forum, and our recently launched Operational Excellence Collective as well as the many ad-hoc engagements that take place each day.

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

Contents

The registered office and principal place of business is:

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

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Infocus Wealth Management Limited (referred to hereafter as "Infocus", the "Company" or the "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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 Australian Financial Services Licences held by the Group ("B2B").

Review of Operations

The loss for the Group after income tax was $589k for the year ended 30 June 2021 (2020: $64k profit). Total revenue for the year was $72,365k (2020: $65,911k).

This 9% increase in gross revenue was achieved in an extremely challenging environment. Whilst the government legislated for the cessation of so-called "grandfathered commissions" from 1 January 2021, many product providers took this as an opportunity to cease these payments before this date, and some also chose to cease paying distribution costs that had not been outlawed by the legislation.

Growth in advice and services revenue was also somewhat constrained by the reality of advisers having to adopt new templates and processes to ensure the delivery of advice was in accordance with the new FASEA standards. Whilst we have built efficiencies into the systems and processes that will deliver productivity gains going forwards, it also meant that most advisers had less time to seek new clients or provide additional up-front advice.

We also ran an initiative during the year (internally called the "Business Health Check") to ensure that all financial planning clients on ongoing service arrangements were provided with advice in the format expected by ASIC. This resulted in the repricing of advice services for some clients, and the turning off of fees (and services) for others. It also resulted in reparation payments being made to clients where it was determined that services had not been fully delivered in line with ASIC's expectations. This resulted in a one-off expense for the year of $400k.

33 new self-employed ("B2B") advisers were authorised during the year to 30 June 2021, primarily as a result of the recruitment of 20 new offices. The challenging industry environment also hastened the exit of a number of advisers with 29 B2B advisers and 16 offices leaving the Group during the year.

The Group held $921k in cash at bank at 30 June 2021 (2020: $939k), and $3,518k in undrawn bank facilities (2020: $2,056k). Cash provided by operating activities for the year was $1,737 (2020: $2,359k). Bank overdraft and bank loans reduced by $1,762k during the financial year.

The Group raised $3,480k by the issue of new Convertible Notes in June 2021, with $3,015k of the funds used to redeem the previous Notes on issue. $2,140k of the funds raised arose from investors in the old Notes rolling-over their investments into the new Notes and $1,340k in new funds were sourced. Subsequent to balance date a further $602k in Notes have been issued taking the total face value of Notes on issue at the date of this report to $4,082k.

The Group had net assets of $13,237k at 30 June 2021 (2020: $13,895k).

Impact of COVID-19

Whilst COVID-19 has had a profound impact on the Group's operations, its staff, adviser network and clients, it is fair to say that we had feared it could be worse. Investment markets, both domestic and international, bounced back strongly during the financial year to 30 June 2021 which avoided potential significant revenue losses for the Group and its clients.

We were able to quickly pivot to a working-from-home modus operandi in March 2020, and whilst most of us returned to the office in August 2020 our staff and advisers were able to switch to working-from-home as and when required in response to regional lockdowns.

Border restrictions have hampered the ability to meet and network face-to-face with advisers, clients and colleagues which has had a dampening impact on new business generation, although the direct financial impact of this is difficult to quantify. However, there was the corresponding benefit of lower travel costs, and we also saved costs by staff agreeing 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, and 90% from 1 August 2020 to 31 December 2020 before reverting back to full pay from 1 January 2021.

The Group did not qualify for Jobkeeper payments, 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 was primarily 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, with the significant investment that it is making in technology solutions being the key driver of this growth.

The Group has recently launched its own proprietary investment platform solution Platformplus Wrap. It is a comprehensive investment and super platform offering the full spectrum of investment options, and is fully integrated with our Platformplus Advice Management System. Having our own platform will enable us, over time, to grow a new revenue stream that will replace some of the revenue lost as a result of the regulatory reforms. The integration with the advice delivery system will deliver significant productivity gains for advisers and, most importantly create an outstanding and highly cost-competitive end-to-end advice experience for clients.

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 Craig Holland (appointed 20 November 2020)
- Mr David Hasib
- Mr Jonathan Hubbard
- Ms Karen Smith-Pomeroy (resigned 31 October 2020)

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 acts as a Company secretary 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 2021, 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	11	11	+	+	+	+
D Steinhardt	11	11	+	+	+	+
C Holland	8	8	3	3	3	3
D Hasib	11	11	2	2	4	4
J Hubbard	11	10	5	5	1	1
K Smith-Pomeroy	3	3	+	+	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

An extraordinary general meeting was held on 27 October 2021, and the outcome of the meeting was that no changes were made to the management, strategy, operations or outlook of the Company.

In the period 1 July 2021 to 10 September 2021 an additional $602k was raised via the issue of Convertible Notes on the same terms and conditions as those raised in June 2021. This brings to a conclusion the issuance of Convertible Notes under the Information Memorandum issued on 20 April 2021.

Other than the above, no matter or circumstance has arisen since 30 June 2021 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 (2020: nil).

Options

There were no options granted or exercised during the year (2020: 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.

Directors' Particulars

Mr Roy McKelvie
BSc, MBA
Chairman
Non-Executive Director

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

He is currently Chairman of Encompass Corporation Sonder Holdings, Path Group Inc and Accordant Global Partners.

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 Craig Holland
B Eco (Actg), M Tax, CPA, GAICD
Non-Executive Director

Craig is a non-executive director with expertise in accounting, strategy, finance, taxation and risk management.

Craig is a director of Menarock LIFE, a leading residential aged care operator. Craig is also the founder director of Generation Private which services the needs of many high wealth families. Craig is a former partner of Deloitte where he spent 16 years. Craig led the Deloitte Private Tax Group in Melbourne, was a member of the Deloitte Private National Executive and was also Deloitte Private's Chief Operating Officer. Craig is also a former director of the Good Guys Retail Group and also chaired the committee which resulted in a sale of the business to JB Hi Fi in November 2016.

Craig is a Fellow of the Institute of Taxation, holds a Bachelor of Economics (Accounting) and has a Masters in Taxation (UNSW). Craig is also a Certified Practicing Accountant and a Graduate of the Australian Institute of Company Directors.

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 Tavas Holdings Limited, and is a former director of the Australian Energy Market Operator Limited, 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.

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.

Proceedings of behalf of the company

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

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 and non-audit services

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

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Act. The nature and scope of non-audit services provided means the auditor independence was not comprised.

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

Roy McKelvie
Chairman

31 October 2021
Maroochydore

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF INFOCUS WEALTH MANAGEMENT LIMITED

As lead auditor of Infocus Wealth Management Limited for the year ended 30 June 2021, 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.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 31 October 2021

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	2020 Restated* $'000
Advice and services revenue	4(a)	72,365	65,911
Rental and dividend income		189	203
Interest income		142	46
Advice and services fees and commissions paid		(56,924)	(48,155)
Employee benefits	3(c)	(9,180)	(9,396)
Professional fees		(1,568)	(1,628)
Client remediation costs*	2B	(400)	(635)
Technology costs		(472)	(502)
Occupancy costs		(258)	(373)
Bad and doubtful debts		(178)	(212)
Marketing, advertising and conference costs		(137)	(416)
Other expenses		(1,797)	(2,024)
Operating profit		1,782	2,819
Amortisation, depreciation and impairment expense	3(a)	(1,874)	(1,864)
Finance costs	3(b)	(818)	(890)
Other income	4(b)	216	-
(Loss)/profit before income tax expense		(694)	65
Income tax benefit/(expense)	5	105	(1)
(Loss)/profit for the year		(589)	64
Total comprehensive (loss)/income for the year		(589)	64
(Loss)/profit for the year is attributable to:			
Non-controlling interest		70	84
Owners of Infocus Wealth Management Limited		(659)	(20)
		(589)	64
Total comprehensive (loss)/income for the year is attributable to:			
Non-controlling interest		70	84
Owners of Infocus Wealth Management Limited		(659)	(20)
		(589)	64

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

* The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2B.

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	2020 Restated* $'000
Assets			
Current assets			
Cash and cash equivalents	6	921	939
Trade and other receivables and contract assets	7	8,683	8,198
Current tax assets	5	-	4
		9,604	9,141
Assets held for sale	26	-	1,380
Total current assets		9,604	10,521
Non-current assets			
Other receivables and contract assets	7	1,143	1,231
Property, plant and equipment	8	406	430
Right-of-use assets	9	2,379	3,279
Intangibles	10	21,295	21,300
Deferred tax	5	1,008	820
Total non-current assets		26,231	27,060
Total assets		35,835	37,581
Liabilities			
Current liabilities			
Trade and other payables	11	5,835	5,391
Borrowings	12	8,647	13,074
Lease liabilities	13	833	1,058
Current tax liabilities	5	31	-
Provisions	14	2,031	1,813
Total current liabilities		17,377	21,336
Non-current liabilities			
Borrowings	12	3,486	25
Lease liabilities	13	1,652	2,292
Provisions	14	83	33
Total non-current liabilities		5,221	2,350
Total liabilities		22,598	23,686
Net assets		13,237	13,895
Equity			
Share capital	15(a)	14,195	14,189
Reserves	15(b)	(513)	(513)
(Accumulated losses)/retained profits		(456)	203
Equity attributable to the owners of the parent		13,226	13,879
Non-controlling interest		11	16
Total equity		13,237	13,895

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

* The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2B.

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $'000	Reserves $'000	(Accumulated losses)/ Retained profits $'000	Total controlling interest $'000	Non-controlling interest $'000	Total equity $'000
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 15 (b))	-	(24)	-	(24)	(6)	(30)
Transactions with owners in their capacity as owners:						
Dividends paid (note 16)	-	-	-	-	(71)	(71)
Balance at 30 June 2020	14,189	(513)	648	14,324	16	14,340
Effect of prior period error (note 2B)	-	-	(445)	(445)	-	(445)
Balance at 30 June 2020 – As restated*	14,189	(513)	203	13,879	16	13,895
Balance at 1 July 2020	14,189	(513)	203	13,879	16	13,895
Total comprehensive (loss) / income for the year	-	-	(659)	(659)	70	(589)
Transactions with owners in their capacity as owners:						
Issue of shares on vesting of employee performance rights (note 15 (a))	6	-	-	6	-	6
Dividends paid (note 16)	-	-	-	-	(75)	(75)
Balance at 30 June 2021	14,195	(513)	(456)	13,226	11	13,237

** The comparative information has been restated as a result of the prior period error relating to provisions for client remediation as discussed in note 2B.*

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 2021

	Note	Consolidated 2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		72,499	65,564
Payments to suppliers and employees		(70,080)	(62,354)
Interest received		116	11
Interest and other finance costs paid		(800)	(849)
Dividends received		41	48
Income taxes paid		(39)	(61)
Net cash provided by operating activities	18	1,737	2,359
Cash flows from investing activities			
Proceeds from sale of client portfolios		1,243	-
Payments for purchase of subsidiary		-	(30)
Payments for property, plant and equipment		(148)	(131)
Payments for intangibles		(749)	(918)
Net cash provided by/(used in) investing activities		346	(1,079)
Cash flows from financing activities			
Proceeds from borrowings		3,318	2,604
Repayment of borrowings		(3,521)	(2,630)
Repayment of lease liabilities	13	(1,060)	(1,015)
Dividends paid	16	(75)	(71)
Net cash (used in) financing activities		(1,338)	(1,112)
Net increase in cash and cash equivalents		745	168
Cash and cash equivalents at the beginning of the year		(770)	(938)
Cash and cash equivalents at the end of the year	6	(25)	(770)

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

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 2021 were authorised for issue in accordance with a resolution of the directors on 31 October 2021. 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 2A. 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 2A(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. The comparative information has been restated as a result of the prior period error relating to client remediation provisions as discussed in note 2B.

(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 2021 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.

Note 2A. Significant accounting policies (continued)

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.

(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.

Note 2A. Significant accounting policies (continued)

Tax consolidation

The parent entity and its 100% owned subsidiaries formed an income tax consolidation group with effect from 1 July 2020. A consequence of entering into the tax consolidation regime is that the consolidated group (consisting of the parent entity and its 100% owned subsidiaries) will be treated as a single taxpayer for income tax purposes and all intercompany transactions will be ignored for tax purposes The parent and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer.

Members of the Infocus tax consolidation group entered into a tax sharing and funding agreement. Under the terms of this agreement, each member in the tax consolidated group agree to make a tax equivalent payment to the parent based on their current tax liability or current tax asset. Deferred taxes are recorded by members of the tax consolidated group in accordance with AASB 112 Income Taxes.

(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.

Note 2A. Significant accounting policies (continued)

(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.

(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.

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 2A(h) above.

Note 2A. Significant accounting policies (continued)

(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.

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) Right of use assets and lease liabilities

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 right-of-use assets initially are measured at cost and comprise of the following:

- The amount of the initial measurement of the lease liabilities
- Any lease payments made at/or before the commencement date less lease incentives
- Any initial direct costs incurred by the Group and
- Restoration costs

The lease liabilities as at the commencement date will include the net present value of the following lease payments:

- Any fixed payments less any lease incentives receivable
- Variable lease payments based on an index or rate, initially measured using the index or rate at commencement
- Amount expected to be payable by the Group under a residual value guarantee
- Payments of penalties for termination of the lease if the lease term reflects the Group exercising the option to terminate the lease and
- Exercise price of a purchase option if the Group is reasonably certain to exercise that option

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 (including the extension option where applicable) 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.

Note 2A. Significant accounting policies (continued)

The lease payments are discounted using the interest rate implicit in the lease or, where that is not available, by using the Group's incremental borrowing rate payable to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The lease payments are allocated between the principal and 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 the incremental borrowing rate on the remaining balance of the lease liability, and the depreciation cost for the right-of-use asset. This has typically resulted in higher depreciation and interest expense in earlier years and lower expenses in later years with flow on impacts to financial metrics such as EBITDA.

The finance cost component of the lease payments is treated as an operating cash outflow in the statement of cash flows while the principal payments are treated as a financing cash outflow.

Payments associated with short-term leases of premises and equipment with a lease term of less than 12 months continue to be recognised on a straight-line basis as an expense in the profit and loss account.

(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.

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 10 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.

Note 2A. Significant accounting policies (continued)

(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.

(p) Provisions and contingent liabilities

Provisions 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. Refer to note 2A(z)(iv) for further information in relation to client remediation and client legal claims provisions.

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.

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.

Note 2A. Significant accounting policies (continued)

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.

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.

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.

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.

Note 2A. Significant accounting policies (continued)

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.

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.

Note 2A. Significant accounting policies (continued)

(v) Goods and Services Tax (GST)

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

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

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

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

(w) Rounding of amounts

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

(x) Parent entity financial information

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

(y) New or amended accounting standards and interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet mandatory.

Several other standards and interpretations that were mandatorily effective on 1 July 2020 did not result in a material impact to the consolidated financial statements of the Group.

(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 10.

(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 2A(l) and 2A(u).

(iii) Provision for impairment of receivables

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

(iv) Client remediation and client legal claims provisions

Client remediation provisions
The Group has made provision at balance date for the cost of remedial compensation payable to financial advice clients who may not have received all of the services they should have under ongoing client service agreements, and in the case of one former self-employed adviser, may have been inappropriately overcharged for up-front advice. Refer to Note 14 for further details.

Judgement has been exercised in identifying the clients for whom compensation is payable, in particular with respect to estimating the likely value of services that were provided. Remediation settlements will not be known until individual cases have been reviewed and compensation offers accepted. Differences in amounts paid to the amount of provision recorded at balance date will be recorded as profit or loss in future periods.

Where client compensation is probable and able to be reliably estimated, provisions have been taken based on a number of direct assumptions, including number of impacted clients, average refund per client and associated remediation costs. The underlying assumptions will be reviewed on a regular basis against actual experience and other relevant evidence and adjustments will be made to the provisions where appropriate.

Client legal claims provisions
On 18 June 2019, ASIC announced that it had approved a change in AFCA rules to allow it to investigate certain complaints dating back to 1 January 2008. The AFCA extension period ended on 30 June 2020. Open legacy claims during the year have been assessed and the Group continues to provide for known obligations at balance date.

(i) 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 2A(j) and 2A(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.

(ii) 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.

(iii) 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 3.5% and average term of mortgage loans of 6 years.

(iv) 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.

(v) 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 2021 about future events that the Directors believe are reasonable in the current circumstances. There is a 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.

(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. For the year ended 30 June 2021 the Group generated a net loss after tax of $589k (2020: net profit $64k) and generated net operating cash inflows of $1,737k (2020: $2,359k). At 30 June 2021 the Group had net current liabilities of $7,773k (2020: $10,815k), however it should also be noted that the Group had undrawn borrowing facilities at that date of $3,518k (2020: $2,056k). With these results being impacted by a number of non-recurring items, the financial performance of the Group for the year ended 30 June 2021 is not in compliance with all of the covenants required under the term loan facilities with Westpac. The bank is accepting of this position, and has advised that it has no current intention of issuing a breach notice or enforcing its rights under the loan agreements. This is further evidenced by the fact that the bank in October 2021 amended these loan facilities, including reducing the interest rate payable by the Group on the overall facility, and extending the amount of credit available by an additional $758k.

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.

The Company continues to take the necessary steps to achieve these requirements, as demonstrated by the following:-

- Board approved budgets and forecasts show net operating cash flows in excess of $2,000k for the next 12 months;
- As noted above, the Company has recently agreed variations to its term loan facilities with its bankers that provides access to redraw a further $758k if required, with no changes to the existing term or principal repayments; and
- the Company raised $3,480k million in 3-year Convertible Notes in June 2021 and has subsequently issued additional Notes on identical terms to take the total amount raised to $4,082k.

The directors are of the opinion the Group 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 going forwards and continues to receive the support of Westpac. However, in view of the fact that the bank is legally entitled to call in the debts owing to it if the Group continues to trade outside of the requirements of the covenants, and that the Group's current bank borrowings total $6,188k with a further $2,000k available in a (currently undrawn) overdraft facility, the directors feel obliged to point out to users of these financial statements that there is a material uncertainty surrounding the Group's ability to continue as a going concern.

In view of the current position regarding bank covenants, all borrowings from Westpac at 30 June 2021 have been included in current liabilities on the balance sheet.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classification of liabilities, nor other appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

Note 2B. Prior period error

The prior period error relates to $635k for remediation payments to clients and former clients of a self-employed adviser in respect of overcharging that occurred prior to the Group revoking the adviser's authorisation in October 2019. Management had made an incorrect judgement at that time as to how the Group's insurance policy was likely to respond with respect to these remediation payments. This is now believed to have been an incorrect assessment of the circumstances that existed at that time- refer to Note 14 Provisions for further information.

The following table summarises the impact of the prior period error on the financial statements:

	Year ended 30 June 2020 $'000
Consolidated statement of profit or loss and other comprehensive income	
Increase in provisions for client remediation	635
(Decrease) in profit for the year before income tax	(635)

	Year ended 30 June 2020 $'000
Other comprehensive income, net of income tax	
Increase in provisions for client remediation	635
(Decrease) in other comprehensive income for the year, net of income tax	(445)
(Decrease) in total comprehensive income for the year	(445)

	30 June 2020 $'000
Consolidated statement of financial position	
Increase in provisions for client remediation	635
(Decrease) in net assets	(445)

Note 3. Expenses

	Consolidated	
	2021 $'000	2020 $'000
(a) Amortisation, depreciation and impairment expense		
Depreciation of property, plant and equipment (note 8)	172	219
Depreciation of right-of-use assets (note 9)	948	894
Amortisation of intangible assets (note 10)	607	741
Impairment of goodwill (note 10)	147	-
Write-off of plant and equipment (note 8)	-	10
Total amortisation, depreciation and impairment expense	1,874	1,864
(b) Finance costs:		
Interest on bank overdrafts and loans	671	754
Interest on lease liabilities (note 13)	147	136
Total finance costs	818	890

(c) Employee benefits

For the year ended 30 June 2021, the Group received Government COVID-19 related stimulus benefits of $18k (2020:$172k). Post-employment benefits expenses was $741k (2020: $785k).

Note 4(a). Advice and services revenue

	Consolidated	
	2021 $'000	2020 $'000
Advice revenue related to wealth management	70,700	64,170
Mortgage and real estate	1,169	1,285
Accounting and business advisory	496	456
Total advice and services revenue	72,365	65,911

Note 4(b). Other income

	Consolidated 2021 $'000	2020 $'000
Gain on sale of client portfolios (note 10 & 26)	216	-

Note 5. Income tax

	Consolidated 2021 $'000	2020 $'000
Income tax (benefit)/expense		
Current income tax	80	55
Deferred tax -origination and reversal of temporary differences	(188)	(54)
Adjustment in respect of current tax of previous year	3	-
Aggregated income tax (benefit)/expense	(105)	1
Deferred tax included in income tax (benefit)/expense comprises:		
(Increase) in deferred tax assets	(120)	(54)
(Decrease) in deferred tax liabilities	(68)	-
	(188)	(54)
Income tax (benefit)/expense reconciled to accounting profit		
(Loss)/profit before income tax expense	(694)	65
Income tax (benefit)/expense calculated at 30% (2020: 30%)	(208)	20
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	153	189
Non-assessable income	(134)	-
Initial recognition tax losses and temporary differences	-	(208)
Initial adjustments to enter into tax consolidation	81	-
Adjustment in respect of current tax of previous year	3	-
Income tax (benefit)/expense	(105)	1

Deferred tax assets

	Consolidated 2021 $'000	2020 $'000
Deferred tax assets relate to the following:		
Provisions	577	415
Employee benefits	217	246
Accrued expenses and other items	177	149
Property, plant and equipment	89	118
Carried forward losses	50	62
	1,110	990
Movements:		
Opening balance	990	936
Credited to profit or loss	120	54
Closing balance	1,110	990

Note 5. Income tax (continued)

	Consolidated 2021 $'000	2020 $'000
Less: Deferred tax liabilities		
Deferred tax liabilities relate to the following:		
Intangible assets	63	-
Accrued income and other items	39	170
	102	170
Movements:		
Opening balance	170	170
(Credited) to profit or loss	(68)	-
Closing balance	102	170
Deferred tax assets, net basis	1,008	820
Current tax payable/(receivable)	31	(4)

Note 6. Cash and cash equivalents

	Consolidated 2021 $'000	2020 $'000
Cash at bank and on hand	921	939

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:

	2021	2020
Balances as per above	921	939
Bank overdraft (note 12)	(946)	(1,709)
Balance as per statement of cash flows	(25)	(770)

Refer to note 17 for further information on financial instruments-risk management and fair values.

Note 7. Trade and other receivables and contract assets

	Consolidated 2021 $'000	2020 $'000
Current		
Trade and other receivables	7,094	6,781
Less: Provision for impairment of receivables	(534)	(425)
	6,560	6,356
Contract assets – mortgage trail commissions	433	412
Prepayments	1,690	1,430
Total current trade and other receivables and contract assets	8,683	8,198

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current		
Contract assets – mortgage trail commissions	891	1,160
Other receivables	252	71
	1,143	1,231
Total trade and other receivables and contract assets	9,826	9,429

Refer to note 17 for further information on financial instruments-risk management and fair values.

Impairment of receivables
The Group has recognised a loss of $178k (2020: $212k) in profit or loss in respect of receivables written-off and/or provided for the year ended 30 June 2021.

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	605	795
	605	795

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	425	356
Addition to provision	178	69
Recovered during the year	(69)	-
Closing balance	534	425

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to $404k as at 30 June 2021 (2020: $347k).

The Directors do not consider any further 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 2021 $'000	Consolidated 2020 $'000
0 to 3 months overdue	177	135
3 to 6 months overdue	68	25
Over 6 months overdue	159	187
	404	347

Note 8. Property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Leasehold improvements	796	796
Less: Accumulated depreciation	(700)	(630)
	96	166
Plant and equipment	2,041	1,893
Less: Accumulated depreciation	(1,731)	(1,629)
	310	264
	406	430

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 1 July 2019	221	292	513
Additions	15	131	146
Write-off	-	(10)	(10)
Depreciation expense	(70)	(149)	(219)
At 30 June 2020	166	264	430
At 1 July 2020	166	264	430
Additions	-	148	148
Depreciation expense	(70)	(102)	(172)
At 30 June 2021	96	310	406

Note 9. Right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Premises	5,452	5,452
Less: Accumulated depreciation	(3,119)	(2,197)
	2,333	3,255
Equipment	204	156
Less: Accumulated depreciation	(158)	(132)
	46	24
	2,379	3,279

Note 9. Right-of-use assets (continued)

Consolidated	Premises $'000	Equipment $'000	Total $'000
At 1 July 2019			
Adoption of AASB 16	2,473	60	2,533
Additions	1,640	-	1,640
Depreciation expense	(858)	(36)	(894)
At 30 June 2020	3,255	24	3,279
At 1 July 2020	3,255	24	3,279
Additions	-	48	48
Depreciation expense	(922)	(26)	(948)
At 30 June 2021	2,333	46	2,379

Note 10. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Goodwill	17,233	17,233
Less: Accumulated impairment	(277)	(130)
	16,956	17,103
Client portfolios	3,558	3,558
Less: Accumulated amortisation	(1,242)	(962)
	2,316	2,596
IT development & software	4,401	3,652
Less: Accumulated amortisation	(2,378)	(2,051)
	2,023	1,601
	21,295	21,300

Consolidated	Goodwill $'000	Client portfolios $'000	IT development & software $'000	Total $'000
At 1 July 2019	17,103	4,394	998	22,495
Additions	-	-	926	926
Re-classified as assets held for sale (note 26)	-	(1,380)	-	(1,380)
Amortisation expense	-	(418)	(323)	(741)
At 30 June 2020	17,103	2,596	1,601	21,300
At 1 July 2020	17,103	2,596	1,601	21,300
Additions	-	-	749	749
Impairment expense	(147)	-	-	(147)
Amortisation expense	-	(280)	(327)	(607)
At 30 June 2021	16,956	2,316	2,023	21,295

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.

Note 10. Intangibles (continued)

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 2021 for each CGU (B2B, B2C and Capalaba) are:

(i) post-tax discount rate 12.6% (2020:12.0%);
(ii) projected average growth rates 12.5% (2020:5.8%); and
(iii) terminal growth rates 2.5% (2020: 2.5%).

The goodwill was allocated to the following CGUs: B2B $5,276k, B2C $10,958k and Capalaba $722k and were the same in prior year except an impairment charge of $147k was recognised this year relating to Capalaba. The write-down in the Capalaba goodwill was determined having regard to recent and projected revenue growth rates, and a resultant reduction in the value-in-use calculation.

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.

Goodwill once impaired cannot be reversed. However, impairments of other intangibles can be reversed if conditions have changed and the recoverable amount is higher than carrying amount.

Note 11. Trade and other payables

	Consolidated	
	2021 $'000	**2020 $'000**
Trade payables	5,124	4,279
Other payables	711	1,112
	5,835	5,391

Refer to note 17 for further information on financial instruments-risk management and fair values.

Note 12. Borrowings

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Bank overdraft	946	1,709
Secured bank loans[(a)]	6,188	7,187
Convertible notes [(b)]	-	3,015
Unsecured corporate loans	1,513	1,163
Total current borrowings	8,647	13,074
Non-current		
Convertible notes [(c)]	3,480	-
Unsecured corporate loans	6	25
Total non-current borrowings	3,486	25
Total borrowings	12,133	13,099

(a) The Group has classified its bank loans as current liabilities as it was not in compliance with all of the covenants required under the term loan facilities with the Bank. For further information refer to the Going concern note 2A (aa).

(b) At 30 June 2020, the Company had on issue 3,015,000 9% convertible notes for $3,015k. The notes were convertible into ordinary shares of the Company, at the option of the holder, or repayable on 6 June 2021. The conversion rate was 2.38 shares for each note held and each conversion request from a noteholder was required to be for a minimum of $10k worth of notes. These notes were repaid or refinanced on 6 June 2021.

(c) During the year ended 30 June 2021, the Company issued 3,480,000 9% convertible notes for $3,480k. The notes are repayable in full on maturity on 7 June 2024, or may be partially or fully repaid early at the option of the Company at any time after 7 December 2021. Any repayments at or prior to maturity may, at the option of the noteholder be converted into ordinary shares of the Company, at the conversion rate of2.38 shares for each note held, provided that each conversion request from a noteholder must be for a minimum of $10k worth of notes. From the convertible notes held at 30 June 2020 of $3,015k, which matured on 6 June 2021, the amounts redeemed for cash were $875k, with $2,140k rolled over into the new notes. $1,340k of new funding was sourced to take the total amount of new notes on issue at 30 June 2021 to $3,480k

Refer to note 17 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	
	2021	**2020**
	$'000	**$'000**
Financing arrangements		
Total facilities available from bank	10,652	10,952
Facilities used at balance date	(7,134)	(8,896)
Facilities available from bank at balance date	3,518	2,056

Note 13. Lease liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current		
Lease liabilities	833	1,058
Non-current		
Lease liabilities	1,652	2,292
Total lease liabilities	2,485	3,350
Movement in lease liabilities:		
Opening balance	3,350	2,589
Additions during the year	48	1,640
Interest expense	147	136
Lease payments	(1,060)	(1,015)
Closing balance	2,485	3,350
Amounts recognised in the Statement of profit and loss and other comprehensive Income		
Depreciation relating to right-of-use assets (note 3)	948	894
Interest expense (finance cost, note 3)	147	136
Expenses relating to short-term leases	258	373
	1,353	1,403
Total cash outflows relating to operating leases		
Lease repayments disclosed under financial activities	1,060	1,015
Interest payments disclosed under operating activities	147	136
Total	1,207	1,151

Note 14. Provisions

	Consolidated 2021 $'000	2020 $'000
Current		
Client remediation*	932	635
Client legal claims	458	393
Employee benefits -leave obligations	641	785
Total	2,031	1,813
Non-current		
Employee benefits - leave obligations	83	33
Total provisions	2,114	1,846

	2021	2020
(a) Movement in provision for client remediation:		
Opening balance	635	-
Provisioning expense	400	635
Client remediation paid	(103)	-
Closing balance	932	635
(b) Movement in provision for client legal claims:		
Opening balance	393	191
Provisioning expense	188	393
Claims settlements paid	(123)	(191)
Closing balance	458	393
(c) Movement in provision for employee benefits:		
Opening balance	818	916
Provisioning expense	597	665
Employee benefits paid	(691)	(763)
Closing balance	724	818

*ASIC, as part of its Wealth Management Project, has conducted investigations into financial advice fees paid pursuant to ongoing service arrangements and provided guidance on its expectations as to the form such on-going advice should take. The Group instigated its own comprehensive review (internally called the “Business Health Check”) that required all licensed advice offices (covering both salaried and self-employed advisers) to ensure that advice was being delivered in line with regulatory guidance, and where this was not the case, a suitable amount of compensation becomes payable to the clients.

Remedial compensation costs payable to the clients of self-employed advisers will be met by those advisers. Remediation payable to clients of the Group’s own salaried advisers has been recognised as an expense for the year ended 30 June 2021.

The client remediation provisions also include remediation costs (disclosed as prior period error in respect of the year ended 30 June 2020, refer to note 2B for further details) expected to be paid to clients of one of the Group’s former self-employed advisers who was found to be overcharging clients. When the Group became aware of this practice it terminated the adviser’s authority to issue advice and issued a breach notice to ASIC. The Group also assumed direct responsibility for the provision of on-going financial advice to all of the clients who wished to continue to be advised.

Note 15. Equity

(a) Share capital

	2021 Shares (thousands)	2020 Shares (thousands)	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	43,213	43,213	14,189	14,189
Shares issued on vesting of employee performance rights	14	-	6	-
Closing balance	43,227	43,213	14,195	14,189

During the year ended 30 June 2021,14,000 shares were issued to satisfy vesting of performance rights previously granted to selected staff members who completed a service period of three years with the Group.

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 2021 $'000	Consolidated 2020 $'000
Opening balance	513	489
Purchase of remaining shares in subsidiary	-	24
Closing balance	513	513

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 2A(b).

(c) Capital risk management

When managing capital, the Board's objective is to ensure the Group can continue as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management monitors the capital structure to ensure that the Group is positioned to take advantage of favourable costs of capital or higher expected return on assets. The Group currently has facilities of $10,652k with the bank which was drawn down by $7,134k at 30 June 2021.

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 not subject to any externally imposed capital requirements.

Note 16. Dividends

	2021 $'000	2020 $'000
Final dividend paid by controlled entities		
Final dividend paid for the year ended 30 June 2021: $750.00 (2020 final dividend paid $710.00) per ordinary share to non-controlling interest by Capalaba Financial Planning Pty Ltd	75	71
Total dividends paid (1)	75	71

(1) All dividends paid are franked at a tax rate of 26% (2020: 27.5%)

Dividend franking account

	Consolidated 2021 $'000	2020 $'000
Franking credits available for subsequent financial years	1,406	1,365

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

Note 17. Financial instruments - risk management and fair values

(a) Financial risk management

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

Risk management framework

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

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

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

(i) Market risk

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

The Group does not use derivatives to manage market risks.

Interest rate risk

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

Note 17. Financial instruments - risk management and fair values (continued)

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	
	2021 $'000	2020 $'000
Bank overdraft and bank loans	7,134	8,896

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 $49k lower/$49k higher (2020: $62k lower/$62k 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.

(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.

Note 17. Financial instruments - risk management and fair values (continued)

(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 2021	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Total $'000**	**Carrying amount $'000**
Trade and other payables	5,835	-	-	5,835	5,835
Borrowings	9,229	319	3,793	13,341	12,133
Lease liabilities	875	908	826	2,609	2,485
	15,939	1,227	4,619	21,785	20,453
At 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	5,391	-	-	5,391	5,391
Borrowings	13,683	22	4	13,709	13,099
Lease liabilities	1,111	973	1,433	3,517	3,350
	20,185	995	1,437	22,617	21,840

(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:

Note 17. Financial instruments - risk management and fair values (continued)

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.

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.

Note 18. Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Net (loss)/profit after income tax	(589)	64
Adjustments for:		
Impairment of goodwill	147	-
Gain on sale of client portfolios	(216)	-
Non-cash mortgage trail commissions expense/(income)	248	(60)
Depreciation and amortisation expenses	1,727	1,864
Bad and doubtful debts expense	178	212
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(287)	(513)
Increase in trade and other payables	414	147
Increase in provisions	268	548
(Increase)/decrease in deferred tax assets	(188)	120
Increase/(decrease) in net tax liabilities	35	(23)
Net cash provided by operating activities	1,737	2,359

Liabilities from financing activities:		
Borrowings and lease liabilities opening balance (note 12 and 13)	16,449	13,315
Recognised on adoption of AASB 16 lease liabilities	-	2,589
Proceeds from borrowings	3,318	2,604
Repayment of borrowings	(3,521)	(2,630)
Acquisition of leases (note 9)	48	1,640
Repayment of lease liabilities (note 13)	(1,060)	(1,015)
Interest and other finance costs paid	800	849
Cash flows from bank overdraft	(1,416)	(903)
Borrowings and lease liabilities closing balance (note 12 and 13)	14,618	16,449

Note 19. Contingent liabilities and contingent assets

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

Beyond the claims explicitly provided for as per Note 14, the Group has received additional claims, is defending these claims, and is unable to assign a value to these claims with any certainty and has not provided for them.

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

The Group has no contingent assets at 30 June 2021 (2020: nil)

Note 20. Capital Commitments

At 30 June 2021 the Group had committed to spend approximately $2,000k with an external party over the next 18 months on the development of wealth and superannuation platform solutions that will be fully integrated to the Group's bespoke financial advice delivery and management system Platformplus. There were no other capital commitments at balance date.

Note 21. 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	
	2021 $	2020 $
Short-term employee benefits	1,891,426	1,913,510
Post-employment benefits	152,600	147,800
	2,044,026	2,061,310

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 22.

Transactions with related parties

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

The Group has paid employment costs to a director; Mr D. Steinhardt and his spouse Mrs S. Steinhardt and rented premises in Maroochydore from a company related to Mr and Mrs Steinhardt, and paid a fee for the provision of financial guarantees to the Group's bankers.

	2021	**2020**
	$	**$**
Employment costs – D Steinhardt	403,776	427,353
Employment costs – S Steinhardt	65,165	63,064
Payment for services – related entity for financial guarantees	61,878	71,871
Payment for services – related entity for rental premises	499,039	496,458
Total	1,029,858	1,058,746

	2021	**2020**
	$	**$**
The Group has issued convertible notes payable to key management personnel as follows:		
Convertible notes	880,000	750,000

The notes held at 30 June 2021 are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 7 June 2024 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.

$725,000 of the notes held by key management personnel at 30 June 2020 were rolled over into new convertible notes issued during the year on similar terms.

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 22. Group entities

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

	Percentage of shares held	
Entity name[1]	**2021**	**2020**
Alpha Fund Managers Pty Ltd	100%	100%
Alpha Investment Management Pty Ltd	100%	100%
Announcer Group Pty Limited	100%	100%
Announcer Financial Planning Pty Ltd	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	100%	100%
Mortgage Prevue Oxygen Pty Ltd	100%	100%
PATRON Financial Trust	100%	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.

Subsidiaries with material non-controlling interests

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

Note 23. Auditor's remuneration

	Consolidated	
	2021	**2020**
	$	**$**
Audit and review services		
Auditor of the Company – BDO Audit Pty Ltd		
- Audit and review of financial statements	82,500	59,000
Other services		
Auditor of the Company – BDO Audit Pty Ltd		
- Other assurance and taxation services	52,900	34,000
Total auditor's remuneration	135,400	93,000

Note 24. Parent entity information

The parent entity financial information is presented as follows:

Statement of financial position

	2021 $'000	2020 $'000
Total current assets	2,393	1,856
Total assets	28,539	29,845
Total current liabilities	11,379	15,225
Total liabilities	16,600	17,584
Equity		
Share capital	14,195	14,189
Accumulated losses	(2,256)	(1,928)
Total equity	11,939	12,261

Statement of profit or loss and other comprehensive income

	2021 $'000	2020 $'000
Loss after income tax	(328)	(306)
Total comprehensive income	(328)	(306)

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 2021 (2020: $Nil).

Note 25. Events after the reporting period

An extraordinary general meeting was held on 27 October 2021, and the outcome of the meeting was that no changes were made to the management, strategy, operations or outlook of the Company.

In the period 1 July 2021 to 10 September 2021 an additional $602k was raised via the issue of Convertible Notes on the same terms and conditions as those raised in June 2021. This brings to a conclusion the issuance of Convertible Notes under the Information Memorandum issued on 20 April 2021.

Other than the above, no matter or circumstance has arisen since 30 June 2021 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 26. Assets held for sale

In September 2020, the Group sold some of its client portfolios to ex-staff advisers to assist them set up their own adviser businesses. These client portfolios had been disclosed as held for sale at 30 June 2020 (refer note 10).

In the opinion of the Directors of Infocus Wealth Management Limited:

(a) the consolidated financial statements and notes of Infocus Wealth Management Limited 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 its financial position as at 30 June 2021 and of its performance for the financial year ended on that date.

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

(c) Note 2A(a) confirms that 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

31 October 2021
Maroochydore

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2021, 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 2021 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 2A(aa) 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

C R Jenkins
Director

Brisbane, 31 October 2021