

ANNUAL REPORT

FINANCIAL YEAR 2022/2023

INFOCUS WEALTH MANAGEMENT
ABN: 28 103 551 015

infocus

About Infocus

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 profession and the associated 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 and solutions 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 set the bar much higher.



Delivering on our vision

We help our partners to grow revenue, enhance operational efficiencies and effectively manage risk.

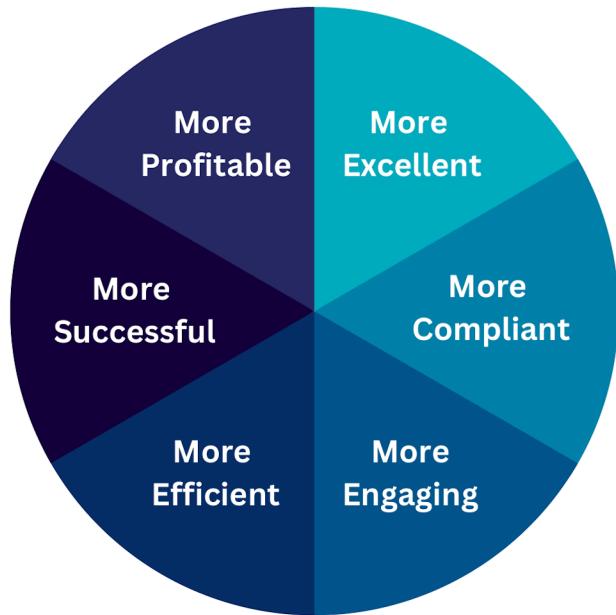
Centered around the twin philosophies of Advice and Operational Excellence, we deliver on our vision by helping our partners grow revenue and serve their clients, enhance operational efficiencies, and effectively manage risk.

We're 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 29 years, and over the past 5 years our focus on reaching this position has been laser sharp.

Delivering on Advice Excellence

Everything we do as a business is focused on making financial advice:



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 key locations – Sunshine Coast, Brisbane and Sydney. 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 102 practices across Australia, who are licensed and supported under the Infocus AFSL service offering.

Infrastructure focused business units facilitate this advice, via a breadth of services and solutions covering Governance, Technology (Platformplus) and Research & Investment Management (Alpha).

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

Advice

B2C

- Sunshine Coast, Brisbane, Sydney
- Beta site, operating as the exemplar across the country
- Incubator of future B2B practices
- Locum services (advisory risk management function)

B2B

- National network and community of 102 advisory practices
- Driver of scale via Infocus label, White label, Grey label (TBA)
- AFSL Services

Infrastructure

Governance

- Regulatory
- Legal
- Compliance
- Finance
- HR / People

Research & Investment Management

- FUA governance and risk management
- Advisory network research (APL etc.)
- Investment Philosophy
- Investment management, portfolio construction, implementation and management (implemented & bespoke)

Financial Technology

- AMS, RMS, WRAP
- Advice governance and risk management
- Client management and advice generation, provision and maintenance
- Driver of advice process and practice and management efficiency

Annual Achievements

Strategically, our priorities for FY2023 revolved around our strategy to 'Play a Bigger Game'

The table below summarises the progress made against the priorities outlined by our Managing Director in last year's Annual Report:

Priorities Identified 12 months ago	Progress Made
Continued roll-out of PlatformplusWRAP to accelerate in FY2023H2 on the back of additional functionality.	<ul style="list-style-type: none">• We made significant improvements to further build out the capability of PlatformplusWRAP, with 5 releases introducing 165 fixes, enhancements and new functionality.• Significant milestone achieved in March 2023 with launch of "magic" advice implementation button.• 603 individual client accounts and \$167million in Funds under Administration at 30 June 2023.
Start to grow the funds flowing through to the newly renovated suite of Alpha investment solutions including: <ul style="list-style-type: none">• 4 diversified funds (Moderate, Balanced, Growth and High Growth).• 4 new diversified Alpha SMAs (as above).• 5 new passive (indexed) series of SMAs.• A new SMA focussed on the generation of income.• Implementation of bespoke portfolios for larger offices where considered appropriate.	<p>Delays with PlatformplusWRAP functionality have slowed the growth of take-up of the new Alpha investment solutions, but progress has still been made:</p> <ul style="list-style-type: none">• The Alpha diversified funds are now starting to attract new inflows of funds, and are gaining the attention of investors interested in an ESG friendly solution.• The diversified SMAs grew by \$109 million in FY2023.• \$23 million flowed into the new indexed funds in FY2023.• A new income SMA went live in the last quarter of FY2023.• Bespoke portfolio solutions were implemented for 2 advice offices in FY2023H2.
Obtain an 'investment grade' rating for the Alpha investment management team.	Rating of 3.75 stars obtained from SQM Research in December 2022 for the Alpha Balanced Fund.
Leverage risk management framework and claims history to deliver enhanced professional indemnity solutions.	Professional indemnity cover was successfully placed for the underwriting year commencing 19 April 2023 in a difficult market for renewals, with Infocus managing to achieve improved terms of cover at slightly lower premiums.



In addition to achievements outlined above in relation to our systems, products and processes we are also extremely proud of the face-to-face personal services that we provided through the year to our most important asset – our clients.

Engagement

FY2023 was the first year that we fully re-engaged with our adviser network post Covid-19. During the year we ran the following programs for the mutual benefit of the Company and its fantastic advisers.

iCON22, was a significant milestone after two postponed annual conferences due to COVID-19. iCON22 not only brought people together, but provided a platform for advisers to learn, connect and be inspired. Overwhelmingly positive feedback affirmed it as a catalyst for a fresh perspective, with a record breaking 85% adviser attendance rate and an average 4.5/5 session rating from attendees.

Our commitment to training and innovation extended beyond conferences, with the introduction of the Business Growth Forum. This initiative was developed to foster engagement within our adviser network and to share what Infocus is working on for, and with, our advisers.

In conjunction with these key strategies, Infocus maintained a regular schedule of engagement events including:

- Annual national conference open to all advisers and support staff with >75% CPD and training content.
- Annual Business Leaders Forum.
- National Professional Development Roadshow.
- State based peer group sessions open to all advisers hosted by Regional Managers.
- Digital training.



Industry Recognition

Infoxus was recognised as a finalist in the following categories for the 2022 IFA Excellence Awards:

- Dealer Group of the year (company) - Infoxus
- Innovator of the year (company) - Infoxus
- Dealer Group Executive of the year (individual) - Darren Steinhardt

Pleasingly, Darren Steinhardt was announced as the winner of the 2022 IFA Excellence Awards - Innovator of the Year (individual) award, a fantastic achievement.



Achievements

A high-level overview of our achievements is tabled below, with further detail in the Managing Director's report.



- Adviser numbers fell by 8% to end the year at 159 across our advisory network
- Total office numbers retracted (-14%) from 119 to 102, reflecting continued attrition at the lower end
- Gross revenue increased by 4% to \$76.7 million
- Funds under Advice grew 8% to \$9.7 billion
- Funds under Management grew 89% to \$1.025 billion
- Risk premiums under Advice increased 21% to \$147.5 million



- We maintained a stable and hardworking team of approximately 80 throughout FY2023, delivering productivity gains by working smarter to achieve more with the same resources.
- There have been no changes to the Executive team, and our focus has been on promoting from within where new roles have been created.
- We continued to invest in the professional development of our people with financial support helping 4 staff members obtain external qualifications during the year, including 2 staff who embarked on the new financial planning "Professional Year" program.

Operational Excellence

- Significantly improved compliance audit results across the network, 91% of advisers rated 3 (out of 5) or above and 79% rated 4 or above.
- Complaints, incidents, issues, claims remediation are at an all time low across the business.
- Significant improvements within PlatformplusAMS, over the year there were 10 releases into AMS introducing 19 pieces of new functionality, 27 enhancements to existing functionality and 127 fixes. Included in the new functionality was introduction of a payment gateway and invoicing functionality in addition to new implementation pages to help advisers better manage and monitor the implementation of advice.
- Over the year we made substantial improvements to our cyber resilience through introduction of new technology delivering high availability real-time replication, upgraded servers and implementation of additional process, procedures and training.
- The successful renegotiation of the group's professional indemnity insurance in an extremely difficult market at no overall increased cost to advisers.
- Continuous improvement of the new office onboarding process as we improve on getting large offices up and running on PlatformplusAMS.

Partnerships

- The recommencing of face-to-face engagement with our adviser network post Covid-19 has enabled us to progress our ideas sufficiently to launch our Partner Program, which includes initiatives such as:
 - Use of a common "Advice Playbook" to ensure consistency of advice delivery;
 - Accelerating practice growth through an 'Advice Hub' arrangement;
 - Provision of back-office resources through the 'Ops Engine'; and
 - Taking equity stakes in advice practices with a long-term objective of implementing a roll-up strategy.
- Continued support for the Adviser Council and Operational Excellence Collective and the creation of the OEX and Paraplanning Collective.
- Retained excellent support and participation from our key Alliance Partners throughout the period.



Results Summary



	FY2023 (\$,000)	FY2022 (\$,000)	FY2021 (\$,000)	Change from FY2022(%)
Gross Revenue	\$76,730	\$73,800	\$69,609	4%
Brokerage payments and related costs	\$(62,664)	\$(59,751)	\$(53,621)	5%
Net Revenue	\$14,066	\$14,049	\$15,988	0%
EBITDA	\$930	\$292	\$2,545	218%
less other income	\$(165)	\$(311)	\$(547)	-47%
Operating Profit	\$765	\$(19)	\$1,998	+4126%
less interest	\$(1,021)	\$(786)	\$(818)	30%
less depreciation and amortisation	\$(1,990)	\$(1,744)	\$(1,727)	14%
less impairment	\$(300)	\$0	\$(147)	n/a
NPBT	\$(2,546)	\$(2,549)	\$(694)	n/a
NPAT	\$(2,313)	\$(3,775)	\$(589)	n/a
EPS	\$(0.05)	\$(0.09)	\$(0.01)	n/a
	FY2023	FY2022	FY2021	Change (%)
FUA	\$9.7b	\$9.0b	\$8.5b	9.3%
RPUA	\$147.5m	\$122.0m	\$125.6m	21%
Advisory Practices	102	119	124	-8.6%
No. of Advisers	159	175	180	-9.1%

Chairman's Report

Dear Shareholder,

You will recall from previous reports references to the difficult market environment that our industry finds itself in. You may even be tired of such statements, but that does not make them any less true. A combination of over regulation, a continuously shrinking pool of qualified practitioners and governments of all colours who seem to think limiting compensation will deliver a better outcome for Middle Australia, still hamstrings the industry. That said, it appears that our politicians and regulators are slowly beginning to recognise that past legislative and regulatory decisions have driven up the cost of advice and pushed advisers from the industry, just before a whole new wave of pre-retirees are realising that they are going to need advice.

However, the wheels of government turn slowly, and we have to face the industry as it is, not how we hope it will become. So, recognising that the regulatory overburden will not disappear, your Board decided to invest heavily in our own proprietary technology solution so that the company can facilitate the efficient delivery of the best advice to consumers, in the most cost-effective manner.

This greater and better use of technology in the advice delivery process will improve efficiency for our advisers and improve outcomes for individual clients. In addition, through the increasing use of managed accounts we will be able to deliver a more efficacious investment process to our advisers and a better outcome for their underlying clients. With your Company having invested a large 7 figure sum in further developing the capabilities of PlatformPlus over the last 3 years we firmly believe Infocus now has a comprehensive and market leading suite of solutions. Even though the specific completion of PlatformplusWRAP capability has taken longer, and cost more than we had originally planned, it is now operational, in our opinion is best in class, and is starting to deliver on its promise.

In parallel the investment management team have built and launched a complimentary suite of contemporary portfolio solutions that can be quickly adjusted to manage risk and performance in the increasingly volatile investment landscape we find ourselves in. The credentials of the investment management team were recently given a boost when they received an investment grade rating for the Alpha Balanced Fund from the highly regarded independent research house SQM.

These initiatives have delivered all the building blocks necessary for your company to benefit from the increasing demand for quality advice and as a result we are anticipating a return to solid profitability over the medium term. We can see that the decks are now clear for our strategy to start delivering in FY2024.

Overview of 2023 Financial Year

The results for the year ended 30 June 2023 reflect a business coming out of a period of significant change. Total revenue was up by 4% on the previous year. Revenue from infrastructure services (platform and software services) increased 26% year-on-year, and revenue from investment management services was up 19%. The positive growth of the infrastructure revenue streams is reflective of the significant efforts of our team and the financial investment directed towards this division over the past five years.

Expenses have been carefully managed with growth in employment costs limited to 1.6%, and other running costs reduced by 20% year-on-year.

It is pleasing to note that there were no significant claims, remediation expenses or bad debt write-offs for the year. After a number of tough years where we had to address some ugly legacy problems, we believe that we have now well and truly dealt with the difficulties of the past. The Board continues to have a zero-tolerance approach to compliance breaches.

Operating cash flows were \$409k positive for the year (a \$702k improvement on the prior period), and a new series of Convertible Notes was issued in June 2023 to provide additional funds to support our strategy roll-out without over-diluting existing shareholders. There was strong support for the Notes with \$3,475k raised through this offer.

Corporate Governance

This has been another very busy year for your Board of Directors with 10 meetings held throughout the year to 30 June 2023, and a further 9 sub-committee meetings held during the year. I am pleased to advise that a very diligent and healthy Board once again achieved a 100% attendance (68 out of 68 invites) for these meetings.

In addition to the above meetings all of the non-executive directors have also provided valuable input to a number of key projects and initiatives over the past year.

I would like to thank all of my fellow directors for their continued dedication throughout the year.

People

The Company continues to work its way through a period of significant change requiring the implementation of new systems, investment products and processes to meet the needs of our adviser network and their clients.

It is pleasing to note that there have been no changes to the Executive team over the past couple of years. This stability has enabled the Board to focus on the development of the next generation of talent within the senior management of the Company and we have been pleased to see a number of people emerging who are showing the necessary aptitude and motivation to take the Company forward.

Our team continue to work diligently and professionally in what is a changing industry / market and is an increasingly uncertain macro environment. When asked, they have all put their shoulders to the wheel to keep driving the continued development of the business. This has not gone unnoticed by the Board so on their behalf I would like to offer a sincere thank you to our team, whether based at Head Office in Queensland or elsewhere in Australia.

On behalf of the Board, I would also like to extend its thanks to our Managing Director Darren Steinhhardt for his continued commitment to the business. His enthusiasm, hard work and love for this business continues to set an excellent example to the team and our adviser partners.



Roy McKelvie
Chairman

Managing Director's Report

Introduction and General Overview of FY2023

FY2023 has generally been a positive year, continuing to build on our record of year-on-year growth.

Our focus on advice, our focus on quality, and our passion around helping our clients (our advisers) provide more and higher quality advice to their clients is at the centre of all we do. We enjoy a strong and healthy relationship with each of the advisers licensed under our AFSL, and with a small but growing cohort of advisers operating independently. We are firmly entrenched in the Top 20 advisory licensees in the country, having performed well over the past five and a half years relative to peers.

Our methodical approach to the cleansing and rationalisation of our legacy has completed; the only legacy issues remaining are those we chose to litigate. Of greater importance, the application of this same methodical approach to the restructuring of paradigms necessary to thrive in what we believe is an incredible future for the financial advisory profession and the associated industry in Australia, genuinely sets us apart and ahead of our peers. It has taken some time to arrive at this position. The journey has been difficult, but worth the efforts expended. This position now allows us to take measured steps in areas where we can lever our scale, our quality, and certain elements of industry disruption to our advantage.

Our team is the best it's ever been with a culture that resonates and quality leadership, including the next generation of leaders coming through the system.

While our bottom line is not yet delivering the results we seek, and not yet delivering the results all stakeholders deserve, the company is arguably in the best shape of its life with prospects never looking better. We close out FY2023, and enter FY2024, in a position of strength and leadership.

Our Operating Environment

The demand for financial advice has never been greater, with continued growth anticipated as millions more Australians plan for and reach retirement.

On the demand side, the superannuation pool, the asset pool for which most Australians seek advice, continues to grow reaching \$3.3Tr late last year. Annual contributions have now surpassed \$124Bn, and with member drawdowns of \$88Bn close to offset by asset growth of \$66Bn, this superannuation pool is growing by ~\$2Bn each week.

Continuing the demand story is ongoing growth in the Australian population which grew by 8.6% from 2016-2021 to 25.4M people, living in 9.5M occupied dwellings, with 6.5M of those being family households – this is the cohort most likely to seek the financial advice we provide. Across this same period, median annual household income rose >21% to ~\$91,000; family household income rose >22% to ~\$110,000; while the number of households with more than \$155,000 a year in income jumped from 16.5% to be nearly one-in-four, or more than 2.25M households.

On the supply side, I have previously written about the decline in adviser numbers over the past five years, as the financial services industry evolved to the financial advisory profession. Adviser numbers in our peer group are now around 14,500; down from a high of ~25,000 in 2019. While these numbers appear to have steadied over the past 12 months, barriers-to-entry conducive to the continuation of the development of the profession introduced in recent times, means we don't anticipate growth of adviser numbers in the near term. All this points to an outlook for the profession that has never looked better, especially for those participants with incumbency.

Highlights of FY2023 and Delivering on Priorities

Our 'Playing a Bigger Game' strategy with its strong and effective strategic elements operating within our Advice, Infrastructure, and Investment Management divisions is delivering results.

The period saw us hit new records in our Advice division with high points in Funds under Advice where we finally broke through the \$10Bn barrier, with high points in Gross Brokerage Revenue of nearly \$70m. In B2B, or our Advisory Network, we launched our Partner Program, a much anticipated, refreshed and contemporary engagement framework that will lead the next phase of our growth in this division, to our advisory network at our Business Leaders Forum and our Business Growth Forums. In B2C, or our salaried advice business unit, we continued with the operation of a project dedicated to the objective of turning around the fortunes in what has been a long-term troublesome business unit. This project has been an outstanding success, placing us in a position where we were able to positively review our B2C strategy and have now placed it on a path of growth and success.

The Advice and Operational Excellence Collective (OEC) programs have come into their own, which will, and has commenced, to drive enhanced outcomes within each advisory practice across the board. The OEC has given birth to the Ops Engine, a back-office support service operating according to our OEC operating standards. While the Ops Engine is in its infancy, we can see a very bright future ahead.

Our Investment Management division received its first independent rating through the period, with ratings house SQM Research awarding a favourable rating of 3.75 stars, confirming the investment grade of our implemented solutions. Further, this division achieved outstanding growth in Funds under Management of 89%, to now over \$1.0Bn, with inflows hitting a high point of \$90m for the month of June.

Momentum continues to build in our Infrastructure division where we have seen the halving, and then halving again, of the time taken to write our 1st, 2nd and then 3rd \$100m of Funds under Administration into PlatformplusWRAP. The benefits PlatformplusWRAP brings to our clients (our advisers), and to their clients over and above its industry peers is truly unique. Our PlatformplusAMS, PlatformplusCMS, and PlatformplusRMS software sales are holding their own in a contracting market, with system enhancements that continue to drive operational efficiency and robust risk management.

Financial Results

Our financial results continue to improve in the right areas but unfortunately our FY2023 results are still behind where we want and need them to be.

The highlights from our FY2023 financial results include:

- Growth in Gross Revenue of 4.7% to \$76.7m vs. system growth of 0.09% (Source IBISWorld).
- Growth in Net Revenue for the first time in five years.
- Growth in underlying EBITDA of 412% to \$1.204m
- Growth in reportable EBITDA of 318% to \$930k.
- Year on year improvement in:
 - B2B – Advisory Network gross and net revenue.
 - B2C – Infocus Advisory revenue.
 - Infrastructure – Software and Platform revenue.
 - Investment – Investment Management revenue.
 - Investment – Consulting revenue.
- B2D – the development of a new revenue opportunity via the provision of technology and other support services to AFSLs and Advisory firms independent to Infocus.
- Infrastructure – of particular importance is the commencement and building of Net Revenue from Infrastructure, with platform revenue for the period of \$810k only slightly short of PCP (all of the income from PCP represented an abnormal once-off payment).

Strategy Update and The Year Ahead

With all of the building, fixing and remediation behind us, and with an expectation of a continuation of clean air in the regulatory space for the near term, we expect FY2024 to see accelerated growth in the momentum we've generated through FY2023, across each of our business divisions. Our particular focus will include:

- The continuation of the rolling out of our Partner Program with its underlying Playbook and highly regarded HUB mechanism, to drive growth and sustained success in B2B.
- The execution of our strategy to reset B2C, positioning it for long-term growth and success.
- The continuation of the development, implementation and rolling out of our myriad of infrastructure support services, including our full PlatformplusWMS ecosystem and our full Investment Management suite of implemented portfolios, to help our clients provide more and better advice to their clients.

We also have an exciting and transformational opportunity in front of us with PlatformplusSIGN, which will progress or not, depending on the Federal government's decisions around the implementation of the recommendations coming out of the Quality Advice Review.

We may do more in the B2D space, however, we will be quite selective with those with whom we chose to engage.

Our Culture of Partnership

The genuine spirit of partnership is at the heart of the Infocus culture. It provides us with a distinct point of difference and a competitive advantage where it really matters.

With our events framework that now consists of our Business Leaders Forum, our Business Growth Forums, our National PD Roadshow, our monthly Webinar program, our adhoc peer group sessions, and our flagship National iCON conference, we seek to continue the development of the partnerships and relationships that make a difference. With our Adviser Council and our Operational Excellence Collective, we seek to continue to harness the best ideas from the smartest and brightest minds from both the front and back office.

Regardless of whether you are one of our ~80 team members, an adviser or team member in one of the ~100 advisory practices in our network, one of our industry Alliance Partners, one of our shareholders or one of our noteholders, we seek to continue to create win-win commercial relationships that have our mutual end clients at the centre. We're all in this together.

Our team continues to grow in strength. Our people work smart and work hard, they consistently rise to new challenges, taking our business to new levels and building upon our great culture. I would like to thank each of them for their commitment to and support of each other, their commitment to and support of our clients, and of course their commitment to and support of the strategy and journey we are on with our company.

I would like to thank the Board for their continued support and counsel, our Executive team for their unwavering commitment to our journey, and importantly, I would like to thank each and every adviser within our community with whom we have the pleasure of partnering. I would also like to thank our shareholders and noteholders for their ongoing support of our company.

I love what I do, I'm excited about the future, and I remain absolutely committed to delivering on our promise each and every day.



Darren Steinhardt
Managing Director

**Infocus Wealth Management Limited
and its controlled entities
ACN:103 551 015**

Annual Financial Report for the year ended 30 June 2023

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The registered office and principal place of business is:

Infocus Wealth Management Limited
Level 2, 37 Primary School Court
MAROOCHYDORE QUEENSLAND 4558

Infocus Wealth Management Limited and its controlled entities
Directors' Report
30 June 2023

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 2023.

Principal Activities

The Group operates in the financial services industry within Australia and during the financial year the principal activities were the provision of:

- Financial advisory services to consumers including financial planning, accounting and taxation services, mortgage broking, and investment advisory;
- Infrastructure support services to financial advisers including access to advice delivery and investment platform services; and
- Investment portfolio management services.

Review of Operations

The loss for the Group after income tax was \$2,313k for the year ended 30 June 2023 (2022: \$3,775k).

Total revenue for the year increased by 4% to \$76,250k (2022: \$73,289k). This growth was primarily from advice services provided by self-employed advisers with the majority of this income being paid out to the servicing advisers as brokerage.

Revenue from infrastructure services increased by 26% to \$2,089k from our own platform and systems, and we have mitigated the risks of having this revenue removed by the actions of external counterparties. We started the financial year with \$0 in client balances on our new proprietary platform Platformplus WRAP, which had grown to \$55 million by 31 December 2022 and \$167 million by 30 June 2023.

Investment management revenue increased by 19% to \$1,491k as advisers directed more of clients' funds into efficient model portfolio solutions, including those managed by Alpha. Early in calendar 2023 it was confirmed that the Alpha funds suite had been rated as "Favourable" or 3.75 stars (equivalent to Investment Grade) by external rating house SQM. The Alpha team ended the financial year with \$1,052 million in Funds Under Management, up from \$553 million at 30 June 2022 and \$662 million at 31 December 2022.

Total operating expenses for the year increased by 3.1% to \$66,135k. The majority of this increase was in brokerage payments to self-employed advisers and outsourced services for the running of Platformplus WRAP. The increase in employee costs was contained to 1.6%, and other operating expenses were \$930k (20%) lower than the prior year, primarily from lower claims and remediation costs.

Amortisation, depreciation and impairment costs have increased by 31% to \$2,290k from higher amortisation expense of significant investments in Platformplus (both WRAP and Advice Management System ('AMS') and an impairment charge of \$300k on goodwill in the Infocus Advisory 'B2C' business unit. The impairment charge resulted from continued loss of clients taken by certain former employees with the Group continuing to pursue its litigation against these former employees.

Finance costs increased by 30% from the prior year as a result of higher interest rates and increased borrowings to fund the investment in improved advice delivery, platform and investment solutions.

At 30 June 2023 the Group had \$5,209k in undrawn facilities with Westpac, in addition to \$1,021k in cash at bank and in term deposits.

The Group had net assets of \$9,076k at 30 June 2023 (2022: \$11,433k).

Likely Developments and Expected Results of Operations

The Group will continue to expand the business primarily through organic growth, with the significant investment that it has made in technology solutions being the key driver of this growth. Any suitable opportunities for inorganic growth will be considered prudently as and when they arise.

The immediate focus will be on delivering benefits to advisers and their customers through the use of the integrated advice delivery and investment administration services from the Platformplus suite of systems. This in turn will facilitate a higher adoption of managed account solutions which are widely considered to be the key to delivering affordable quality advice.

In addition to supporting and growing the service delivery capability of the existing Infocus advisers, we believe this capability will play an important role in the recruiting of new self-employed offices. We also see significant scope to offer these services to small AFSLs and self-licensed advisers.

Infocus Wealth Management Limited and its controlled entities
Directors' Report
30 June 2023

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
- Mr David Hasib
- Mr Jonathan Hubbard

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

	Board of Directors		Audit & Risk Committee		Research & Investment Governance Committee	
	A	B	A	B	A	B
R McKelvie	10	10	+	+	+	+
D Steinhardt	10	10	+	+	+	+
C Holland	10	10	5	5	4	4
D Hasib	10	10	+	+	4	4
J Hubbard	10	10	5	5	+	+

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

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

+ Not a member of the relevant committee.

Significant Changes in State of Affairs

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

Events after the Reporting Period

No matter or circumstance has arisen since 30 June 2023 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.

Infocus Wealth Management Limited and its controlled entities
Directors' Report
30 June 2023

Dividends

The Company did not pay any dividends during the financial year (2022: nil).

Options

There were no options granted or exercised during the year (2022: nil).

Indemnification and Insurance of Directors and Officers

It is the Group's policy that its Directors and Executives should be protected from any liability they incur as a result of acting in the course of their employment in their respective capacities, subject to appropriate conditions.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and Executives of the Company against 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, Wagesafe Limited, Pathify Group Inc, and Tavas Holdings Limited as well as being a Director of a number of other companies.

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

Mr Darren Steinhardt

M App. Fin. FAIM, GAICD,

Managing Director

Darren is the founder of the Infocus Group. Originally from Brisbane, Darren has an extensive background of over 34 years in the financial service industry, with specific expertise covering the advice profession, financial technology and investment management. 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 is a Fellow of the Australian Institute of Management (AIM), a Member of the Australian Institute of Company Directors (AICD), has undertaken studies in finance, economics and law, and holds a Master's Degree in Applied Finance.

Infocus Wealth Management Limited and its controlled entities

Directors' Report

30 June 2023

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 the founder director of Generation Private which is a multi-family office practice servicing the needs of 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 30 years industry experience, David's professional background and industry experience in wealth management and advisory services makes him a valuable asset to the financial services sector. As a founding Director of Patron Financial Advice, David played a pivotal role in establishing the company as a leading provider of wealth management solutions for clients.

David's track record in establishing successful wealth advisory businesses is a testament to his expertise in the field. His extensive experience in managing a corporate practice of 15 advisers demonstrates his ability to lead and inspire teams to deliver exceptional results for clients.

David's involvement in advisory boards further highlights his commitment to the industry and his willingness to contribute to its growth and development. His strategic insights and wealth of knowledge have undoubtedly played a crucial role in shaping the direction of the companies he has worked with.

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 Mirabou Energy Remote Power Systems Pty Ltd, 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.

Infocus Wealth Management Limited and its controlled entities
Directors' Report
30 June 2023

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 40 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 UNSW Business School (AGSM). He has over 20 years of experience in both public practice and commercial working predominantly in financial services with ASX listed entities.

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

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.

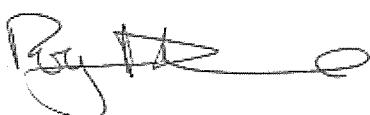
Auditor's Independence Declaration and non-audit services

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 Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important but only when such assignments would not impair the independence of the auditors.

There were no amounts paid or payable to the auditor KPMG for non-audit services provided in the current year.

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



Roy McKelvie
Chairman

28 September 2023
Maroochydore



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Infocus Wealth Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Infocus Wealth Management Limited for the financial year ended 30 June 2023 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Bronwyn Lovell'.

Bronwyn Lovell

Partner

Brisbane

28 September 2023

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 \$'000	2022 Restated* \$'000
Continuing operations			
Advice and services revenue	3(a)	76,085	72,978
Other income	3(b)	165	311
Advice and services fees and commissions paid		(62,316)	(59,407)
Bad and doubtful debts		(15)	(246)
Client remediation and legal claims costs	14	-	(550)
Employee benefits	4(c)	(9,482)	(9,329)
Occupancy costs		(535)	(426)
Marketing, advertising and conference costs		(491)	(58)
Professional fees		(744)	(970)
Re-assessment of the net present value of mortgage trail commissions		(227)	(370)
Technology costs		(447)	(476)
Other expenses		(1,360)	(1,653)
Operating profit/(loss) from continuing operations		633	(196)
Amortisation, depreciation and impairment	4(a)	(2,290)	(1,744)
Finance costs	4(b)	(1,021)	(786)
(Loss) before income tax expense		(2,678)	(2,726)
Income tax benefit/(expense)	5	266	(1,182)
(Loss) for the year from continuing operations		(2,412)	(3,908)
Discontinued operations			
Profit from discontinued operations, net of tax	2B	99	133
Total comprehensive (loss) for the year		(2,313)	(3,775)
(Loss)/profit for the year is attributable to:			
Non-controlling interest		49	67
Owners of Infocus Wealth Management Limited		(2,362)	(3,842)
		(2,313)	(3,775)
Total comprehensive (loss)/income for the year is attributable to:			
Non-controlling interest		49	67
Owners of Infocus Wealth Management Limited		(2,362)	(3,842)
		(2,313)	(3,775)

*The comparative information has been restated in relation to discontinued operations as discussed in Note 2(B).

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

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023	2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	635	381
Term deposits		386	385
Trade and other receivables	7	8,740	8,533
Current tax assets		12	-
Assets classified as held for sale	2B,10	2,101	-
Total current assets		11,874	9,299
Non-current assets			
Other receivables	7	477	824
Investments		32	27
Property, plant and equipment	8	432	619
Intangibles	10	20,511	23,351
Right-of-use assets	9	722	1,541
Deferred tax	5	867	785
Total non-current assets		23,041	27,147
Total assets		34,915	36,446
Liabilities			
Current liabilities			
Trade and other payables	11	9,303	7,928
Current tax liabilities	5	-	4
Liabilities associated with assets classified as held for sale	2B	25	-
Borrowings	12	10,436	12,482
Lease liabilities	13	532	865
Provisions	14	801	849
Total current liabilities		21,097	22,128
Non-current liabilities			
Trade and other payables	11	250	1,000
Borrowings	12	3,265	-
Lease liabilities	13	255	787
Provisions	14	185	135
Deferred tax liabilities	5	787	963
Total non-current liabilities		4,742	2,885
Total liabilities		25,839	25,013
Net assets		9,076	11,433
Equity			
Share capital	15(a)	16,240	16,240
Reserves	15(b)	(513)	(513)
Accumulated losses		(6,660)	(4,298)
Equity attributable to the owners of the parent		9,067	11,429
Non-controlling interest		9	4
Total equity		9,076	11,433

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

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total controlling interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2021	14,195	(513)	(456)	13,226	11	13,237
Total comprehensive (loss)/income for the year	-	-	(3,842)	(3,842)	67	(3,775)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares on conversion of convertible notes (note 15 (a))	2,045	-	-	2,045	-	2,045
Dividends paid (note 16)	-	-	-	-	(74)	(74)
Balance at 30 June 2022	16,240	(513)	(4,298)	11,429	4	11,433
Balance at 1 July 2022	16,240	(513)	(4,298)	11,429	4	11,433
Total comprehensive (loss) / income for the year	-	-	(2,362)	(2,362)	49	(2,313)
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid (note 16)	-	-	-	-	(44)	(44)
Balance at 30 June 2023	16,240	(513)	(6,660)	9,067	9	9,076

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 2023

	Note	Consolidated 2023	2022
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		82,695	79,929
Payments to suppliers and employees		(81,331)	(79,538)
Interest received		25	47
Interest and other finance costs paid		(976)	(682)
Dividends received		29	18
Income taxes paid		(33)	(67)
Net cash provided by/(used in) operating activities	18	409	(293)
Cash flows from investing activities			
Proceeds from sale of client portfolios		432	621
Payments for purchase of client portfolios	10	(102)	-
Payments for investments		(2)	(29)
Payments for property, plant and equipment	8	(105)	(432)
Payments for intangibles	10	(626)	(1,407)
Net cash (used in) investing activities		(403)	(1,247)
Cash flows from financing activities			
Proceeds from borrowings		6,920	6,697
Repayment of borrowings		(5,542)	(5,178)
Repayment of lease liabilities	13	(927)	(937)
Dividends paid	16	(44)	(74)
Net cash provided by financing activities		407	508
Net increase/(decrease) in cash and cash equivalents		413	(1,032)
Cash and cash equivalents at the beginning of the year		(1,440)	(408)
Cash and cash equivalents at the end of the year	6	(1,027)	(1,440)

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

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

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 2023 were authorised for issue in accordance with a resolution of the directors on 28 September 2023. 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.

(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 2023 and the results of all subsidiaries for the year then ended. Infocus Wealth Management Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

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

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

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

Note 2A. Significant accounting policies (continued)

(c) Foreign currency translation

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

(d) Revenue and expense recognition

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

Financial advisory services include the following:

(i) Advice and services revenue

This includes licensee and advice services revenue from ongoing use of the Group's AFSL by authorised representatives, and is recognised when the performance obligation is satisfied over time as the service is provided.

(ii) Mortgage broking services

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 using the Group borrowing rate. This adjustment is recognised in profit or loss.

(iii) Other fee and commission income

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

Infrastructure services

The Group offers access to its systems to product issuers, advisers and clients with the end purpose of delivering quality financial advice and information to clients. Revenue from each of these parties is recognised over time as the services are made available to them.

Investment management services

The Group earns revenue through the provision of investment and funds management services to its customers. Under this arrangement, the fee charged is calculated based on a fixed percentage of Funds Under Management. Revenue is recognised 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.

Note 2A. Significant accounting policies (continued)

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.

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) is treated as a single taxpayer for income tax purposes and all intercompany transactions are 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.

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

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 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:

<i>Depreciable assets</i>	<i>Depreciation rate</i>
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.

(I) 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.

Contingent liabilities

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.

Infocus Wealth Management Limited and its controlled entities
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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, jointly 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.

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
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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 new or amended standards and interpretations that were mandatorily effective on 1 July 2022 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 and client legal claims provisions

The Group has settled all remedial compensation payable to financial advice clients during the year who may not have received all of the services they should have under ongoing client service agreements.

(v) 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.

(vi) 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.

(vii) Mortgage broking services - trail commissions

The Group receives trail commissions from lenders (presented as contract assets) over the life of the loan based on the loan balance outstanding subject to the loan continuing to perform. The average run-off life is impacted by the future run-off rate. A reduction in the average loan life as a result of higher run-off would result in a lower asset position. Key assumptions include the average run-off loan life and discount rate applied per annum.

(viii) 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.

(aa) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation has been discontinued from the start of the comparative year.

Note 2A. Significant accounting policies (continued)

(bb) Going concern

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

The 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 Group has a loss after tax for the year ended 30 June 2023 of \$2,313k (2022: \$3,775k). The Group has an excess of current liabilities over current assets at reporting date of \$9,223k (30 June 2022: \$12,829k).

It should be noted that the Group had undrawn borrowing facilities at that date of \$5,209k (2022: \$3,817k), and bank borrowings of \$9,213k (2022: \$11,154k). All bank borrowings have been included as current liabilities at 30 June 2023. The same applied at 30 June 2022.

The financial performance of the Group for the year ended 30 June 2023 was not in compliance with all of the covenants required under the term loan facilities with Westpac and as such the bank has the right to call in the debt if it so chooses. However, the bank has indicated its acceptance of this position and continues to work with the Company by providing the necessary ongoing funding to enable it to implement its growth strategies and generate strong operating cash surpluses in future periods.

Included in bank borrowings at 30 June 2023 are two term loans with current maturity dates in 2023. These facilities totalling \$5,543k at 30 June 2023, and drawn down to \$2,488k at that date, are both scheduled for repayment in October 2023. The Company has been liaising with Westpac regarding the extension of these loan facilities prior to their maturity dates, and expects to have this finalised shortly.

The Company continues to take the necessary steps to manage its cash position as demonstrated by the following:

- Forecasts show net positive operating cash flows for the 2023/24 and 2024/25 financial years;
- The raising of \$3,475k in convertible notes, of which \$3,265k was issued by 30 June 2023 and the remainder after 30 June 2023 (refer to Note 12).

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 bank borrowings at 30 June 2023 (including drawn overdraft balance) totalled \$9,213k (2022: \$11,154k), 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.

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 this financial report. 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.

Infocus Wealth Management Limited and its controlled entities
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Note 2B. Discontinued operations and Assets held for sale

(i) Discontinued operations and Assets held for sale – Capalaba Financial Planning Pty Ltd

In March 2023, the Group commenced a sales process of its interest in the company to prospective buyers. On 28 August 2023, the Group accepted a selective buy-back offer from Capalaba Financial Planning Pty Ltd ('CFP') for its shares in CFP (50% of total shares on issue) for a consideration of \$722k.

For financial reporting purpose, the results of the CFP business are presented as discontinued operations.

Analysis of profit for the year from discontinued operations

	2023 \$'000	2022 \$'000
Revenue	480	511
Expenses	(348)	(334)
Profit before tax from discontinued operations	132	177
Income tax expense	(33)	(44)
Profit for the year from discontinued operations	99	133
Profit from discontinued operations attributable to:		
Owners of Infocus Wealth Management Limited	50	66
Non-controlling interest	49	67
Profit for the year from discontinued operations	99	133
Cash flows from discontinued operations		
Net cash provided by operating activities	145	195
Net cash provided by discontinued operations	145	195

Assets and liabilities of discontinued operations

The Group estimates that the fair value less costs to sell of the business is higher than the aggregate carrying amount of the related assets and liabilities. No impairment loss has been recognised on reclassification of the assets and liabilities to held for sale as at 30 June 2023.

Major classes of assets and liabilities of the CFP business as at 30 June 2023 are as follows:

	2023 \$'000
Assets	
Cash	2
Receivables	41
Current tax assets	1
Goodwill	722
Assets classified as held for sale	766
Liabilities	
Payables	17
Deferred tax liabilities	9
Liabilities associated with assets classified as held for sale	26
Net assets classified as held for sale	740

(ii) Assets held for sale - Client Portfolios

The Group has agreed to sell some of its client portfolios to an adviser firm. Consequently, these client portfolios and related goodwill with a value of \$1,335k are disclosed as held for sale at 30 June 2023 (refer Note 10).

Infocus Wealth Management Limited and its controlled entities
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Note 3(a). Advice and services revenue

	Consolidated	
	2023	2022
	\$'000	\$'000
Financial advisory services	72,505	70,065
Infrastructure services	2,089	1,659
Investment management services	1,491	1,254
Total advice and services revenue	76,085	72,978

*The comparative information has been restated in relation to discontinued operations as discussed in Note 2(B). Also, Investment management services income and Financial advisory services income have been re-grouped to have consistency in presentation.

Note 3(b). Other income

	Consolidated	
	2023	2022
	\$'000	\$'000
Rental and dividend income	139	151
Interest income	26	47
Gain on sale of client portfolios	-	113
Total other income	165	311

Note 4. Expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Amortisation, depreciation and impairment		
Depreciation of property, plant and equipment (note 8)	292	219
Depreciation of right-of-use assets (note 9)	819	838
Amortisation of intangible assets (note 10)	879	687
Impairment of goodwill (note 10)	300	-
Total amortisation, depreciation and impairment	2,290	1,744
(b) Finance costs		
Interest on bank overdrafts and loans	959	682
Interest on lease liabilities (note 13)	62	104
Total finance costs	1,021	786
(c) Employee benefits		

Post-employment benefits expenses were \$844k (2022: \$810k*).

*The comparative information has been restated in relation to discontinued operations as discussed in Note 2(B).

Infocus Wealth Management Limited and its controlled entities
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Note 5. Income tax

	Consolidated	2022
	2023	Restated*
	\$'000	\$'000
<i>Income tax (benefit)/expense</i>		
Current tax	20	-
Deferred tax - origination and reversal of temporary differences	(249)	1,182
Adjustment of prior year	(37)	-
Aggregated income tax (benefit)/expense	<u>(266)</u>	<u>1,182</u>
Deferred tax included in income tax (benefit)/expense comprises:		
(Increase)/decrease/in deferred tax assets	(82)	321
(Decrease)/increase in deferred tax liabilities	<u>(167)</u>	<u>861</u>
Deferred tax – origination and reversal of temporary differences	<u>(249)</u>	<u>1,182</u>
<i>Income tax (benefit)/expense reconciled to accounting (loss)</i>		
(Loss) before income tax expense	(2,678)	(2,726)
Income tax (benefit)/expense calculated at 30% (2022: 30%)	(803)	(818)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	182	106
Non-assessable income	(3)	(4)
Current and prior year losses unrecognised	362	1,898
Difference in tax rates of controlled entity	33	-
Adjustment of previous year	<u>(37)</u>	<u>-</u>
Income tax (benefit)/ expense from continuing operations	<u>(266)</u>	<u>1,182</u>
*The comparative information has been restated in relation to discontinued operations as discussed in Note 2(B).		
Deferred tax assets	Consolidated	2022
	2023	\$'000
<i>Deferred tax assets relate to the following:</i>		
Provisions	44	103
Employee benefits	296	234
Accrued expenses and other items	476	354
Property, plant and equipment	51	50
Tax losses	-	44
	<u>867</u>	<u>785</u>
<i>Movements:</i>		
Opening balance	785	1,110
Credited/(charged) to profit or loss	82	(321)
Adjustment to losses utilised against tax liabilities of prior year	<u>-</u>	<u>(4)</u>
Closing balance	<u>867</u>	<u>785</u>
Unrecognised deferred tax assets		
Tax losses	2,260	1,898
These tax losses are available for offset against future taxable income.		

Infocus Wealth Management Limited and its controlled entities
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Note 5. Income tax (continued)

	Consolidated	
	2023	2022
	\$'000	\$'000
Deferred tax liabilities		
<i>Deferred tax liabilities relate to the following:</i>		
Intangible assets	765	871
Accrued income and other items	22	92
	<hr/>	<hr/>
	787	963
<i>Movements:</i>		
Opening balance	963	102
(Credited)/charged to profit or loss	(167)	861
Reclassified to held for sale from discontinued operations (refer Note 2B)	(9)	-
	<hr/>	<hr/>
Closing balance	787	963

Current tax assets

Current tax payable	-	4
	<hr/>	<hr/>

Note 6. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash at bank and on hand		
	<hr/>	<hr/>
	635	381

Reconciliation to cash and cash equivalents at the end of the year

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

Balances as per above	635	381
Bank overdraft (note 12)	(1,662)	(1,821)
	<hr/>	<hr/>
Balance as per statement of cash flows	(1,027)	(1,440)

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

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
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Note 7. Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Trade and other receivables ¹	7,390	6,554
Less: Provision for impairment of receivables	(148)	(141)
	<u>7,242</u>	<u>6,413</u>
Contract assets – mortgage trail commissions	299	348
Prepayments	1,199	1,772
	<u>8,740</u>	<u>8,533</u>
Total current trade and other receivables		
1 These include Accrued revenue of \$4,982k (2022: \$5,019k), and Loans receivables of \$6k (2022: \$317k).		
Non-current		
Contract assets – mortgage trail commissions	428	606
Other receivables	49	218
	<u>477</u>	<u>824</u>
Total trade and other receivables	9,217	9,357

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 \$15k (2022: \$246k) in profit or loss in respect of receivables written-off and/or provided for the year ended 30 June 2023.

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

	Consolidated	
	2023	2022
	\$'000	\$'000
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	<u>148</u>	<u>141</u>
	<u>148</u>	<u>141</u>

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Opening balance	141	534
Addition to provision	14	63
Debt write-off/recovered during the year	(7)	(456)
	<u>148</u>	<u>141</u>

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to \$465k as at 30 June 2023 (2022: \$318k).

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.

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
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Note 7. Trade and other receivables (continued)

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

	Consolidated	2023	2022
	\$'000	\$'000	
0 to 3 months overdue	399	134	
3 to 6 months overdue	27	69	
Over 6 months overdue	39	115	
	<hr/>	<hr/>	
	465	318	
	<hr/>	<hr/>	

Note 8. Property, plant and equipment

	Consolidated	2023	2022
	\$'000	\$'000	
Leasehold improvements	847	807	
Less: Accumulated depreciation	(776)	(768)	
	<hr/>	<hr/>	
71	39		
	<hr/>	<hr/>	
Plant and equipment	2,527	2,462	
Less: Accumulated depreciation	(2,166)	(1,882)	
	<hr/>	<hr/>	
361	580		
	<hr/>	<hr/>	
	432	619	
	<hr/>	<hr/>	

Consolidated	Leasehold	Plant and	Total
	improvements	equipment	\$'000
At 1 July 2021	96	310	406
Additions	11	421	432
Depreciation expense	(68)	(151)	(219)
	<hr/>	<hr/>	<hr/>
At 30 June 2022	39	580	619
	<hr/>	<hr/>	<hr/>
At 1 July 2022	39	580	619
Additions	40	65	105
Depreciation expense	(8)	(284)	(292)
	<hr/>	<hr/>	<hr/>
At 30 June 2023	71	361	432
	<hr/>	<hr/>	<hr/>

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
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Note 9. Right-of-use assets

	Consolidated		
	2023 \$'000	2022 \$'000	
Premises	5,452	5,452	
Less: Accumulated depreciation	(4,755)	(3,946)	
	<u>697</u>	<u>1,506</u>	
Equipment	204	204	
Less: Accumulated depreciation	(179)	(169)	
	<u>25</u>	<u>35</u>	
	<u>722</u>	<u>1,541</u>	
Consolidated			
At 1 July 2021			
Depreciation expense	2,333 (827)	46 (11)	2,379 (838)
At 30 June 2022	<u>1,506</u>	<u>35</u>	<u>1,541</u>
At 1 July 2022			
Depreciation expense	1,506 (809)	35 (10)	1,541 (819)
At 30 June 2023	<u>697</u>	<u>25</u>	<u>722</u>

Note 10. Intangibles

	Consolidated	
	2023 \$'000	2022 \$'000
Goodwill	15,515	17,233
Less: Accumulated impairment	(577)	(277)
	<u>14,938</u>	<u>16,956</u>
Client portfolios	3,157	3,726
Less: Accumulated amortisation	(1,786)	(1,526)
	<u>1,371</u>	<u>2,200</u>
IT development & software	7,602	6,976
Less: Accumulated amortisation	(3,400)	(2,781)
	<u>4,202</u>	<u>4,195</u>
	<u>20,511</u>	<u>23,351</u>

Infocus Wealth Management Limited and its controlled entities
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Note 10. Intangibles (continued)

Consolidated	Goodwill \$'000	Client portfolios \$'000	IT development & software \$'000	Total \$'000
At 1 July 2021	16,956	2,316	2,023	21,295
Additions	-	332	2,575	2,907
Disposals	-	(164)	-	(164)
Amortisation expense	-	(284)	(403)	(687)
 At 30 June 2022	 16,956	 2,200	 4,195	 23,351
At 1 July 2022	16,956	2,200	4,195	23,351
Additions	-	-	626	626
Adjustment to final purchase price	-	(230)	-	(230)
Reclassified to held for sale	(1,718)	(339)	-	(2,057)
Impairment expense	(300)	-	-	(300)
Amortisation expense	-	(260)	(619)	(879)
 At 30 June 2023	 14,938	 1,371	 4,202	 20,511

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

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

The key assumptions used in carrying out impairment testing for each CGU (B2B, B2C and Capalaba) are:

- (i) Budgeted operating cash flows which represent the Group's estimate of future cash flows based on forecasts approved by the Board of Directors;
- (ii) Post-tax discount rate 15.4% (2022:14.8%); and
- (iii) Long-term growth rate (terminal rate) 2.5% (2022: 2.5%).

The goodwill was allocated to the following CGUs:

CGUs	Goodwill 2023 \$'000	2022 \$'000
B2B	5,276	5,276
B2C	9,662	10,958
Capalaba	-	722
	<hr/> 14,938	<hr/> 16,956
 Reclassified to held for sale:		
B2C	996	-
Capalaba	722	-
	<hr/> 1,718	<hr/> -

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.

Infocus Wealth Management Limited and its controlled entities
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Note 11. Trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Trade payables ¹	7,557	6,791
Other payables	1,746	1,137
	<hr/>	<hr/>
	9,303	7,928
Non-current		
Other payables	250	1,000

1 These include Accrued expenses of \$4,445k (2022: \$4,604k) and Income in advance of \$1,936k (2022: \$1,436k).

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

Note 12. Borrowings

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Bank overdraft	1,662	1,821
Secured bank term loans ^(a)	2,488	6,263
Secured bank- SMERLS ^(b)	5,063	3,070
Unsecured corporate loans	1,223	1,328
	<hr/>	<hr/>
Total current borrowings	10,436	12,482
Non-current		
Convertible notes ^(c)	3,265	-
	<hr/>	<hr/>
Total non-current borrowings	3,265	-
Total borrowings	<hr/>	<hr/>
	13,701	12,482

- (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) The Group has a ten-year, loan facility offered by the Bank under the Australian Government's SME Recovery Loan Scheme (SMERLS). The Group has classified this loan facility as a current liability as it forms an integral part of the total Westpac facilities for the purpose of calculating covenant compliance, and as such is technically at call whilst covenants are not being fully met.
- (c) The Company issued 3,265,000 12.5% convertible notes for \$3,265k on 20 June 2023 on a three-year term. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 20 June 2026. The conversion rate is 2.38 shares for each note held and each conversion request from a noteholder must be for a minimum of \$10k worth of notes.

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

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 12. Borrowings (continued)

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	
	2023	2022
	\$'000	\$'000
<i>Financing arrangements</i>		
Total facilities available from bank	14,422	14,971
Facilities used at balance date	<u>(9,213)</u>	<u>(11,154)</u>
Facilities available from bank at balance date	<u>5,209</u>	<u>3,817</u>

Note 13. Lease liabilities

Current	2023	2022
Lease liabilities	\$'000	\$'000
Non-current		
Lease liabilities	255	787
Total lease liabilities	787	1,652
Movement in lease liabilities:		
Opening balance	1,652	2,485
Interest expense	62	104
Lease payments	<u>(927)</u>	<u>(937)</u>
Closing balance	787	1,652
	2023	2022
	Restated*	Restated*
Amounts recognised in the Statement of profit and loss and other comprehensive income	\$'000	\$'000
Depreciation relating to right-of-use assets (note 4)	819	838
Interest expense (finance cost, note 4)	62	104
Expenses relating to short-term leases*	535	428
	1,416	1,370
Total cash outflows relating to operating leases		
Lease repayments disclosed under financing activities	927	937
Less: Interest expense disclosed as non-cash adjustments in operating activities	<u>(62)</u>	<u>(104)</u>
Net lease repayments excluding interest expenses	865	833

*The comparative information has been restated in relation to discontinued operations as discussed in Note 2(B)

Infocus Wealth Management Limited and its controlled entities
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Note 14. Provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Client legal claims		204
Employee benefits -leave obligations	801	645
Total	<u>801</u>	<u>849</u>
Non-current		
Employee benefits - leave obligations		135
Total provisions	<u>185</u>	<u>984</u>
	<u>986</u>	<u>984</u>
(i) Movement in provision for client remediation:		
Opening balance		932
Provisioning expense	-	128
Client remediation paid	-	(1,060)
Closing balance	<u>-</u>	<u>-</u>
(ii) Movement in provision for client legal claims:		
Opening balance	204	458
Provisioning expense	-	422
Claims settlements paid	(204)	(676)
Closing balance	<u>-</u>	<u>204</u>
(iii) Movement in provision for employee benefits:		
Opening balance	780	724
Provisioning expense	780	657
Employee benefits paid	(574)	(601)
Closing balance	<u>986</u>	<u>780</u>

Infocus Wealth Management Limited and its controlled entities
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Note 15. Equity

(a) Share capital

	2023 Shares (thousands)	2022 Shares (thousands)	Consolidated 2023 \$'000	2022 \$'000
Opening balance	48,585	43,227	16,240	14,195
Shares issued upon conversion of notes	-	5,358	-	2,045
Closing balance	48,585	48,585	16,240	16,240

During the year ended 30 June 2022, 5,357,900 shares were issued on early redemption of convertible notes.

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 2023 \$'000	2022 \$'000
There was no movement in reserves during the year.	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 \$14,422k with the bank which was drawn down by \$9,213k at 30 June 2023.

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.

Infocus Wealth Management Limited and its controlled entities
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Note 16. Dividends

	2023 \$'000	2022 \$'000
Final dividend paid by controlled entities		
Final dividend paid for the year ended 30 June 2023: \$442.50 (2022 final dividend paid \$743.50) per ordinary share to non-controlling interest by Capalaba Financial Planning Pty Ltd	44	74
Total dividends paid ⁽¹⁾	44	74
<small>(1) All dividends paid are franked at a tax rate of 25% (2022: 25%)</small>		

Dividend franking account

	Consolidated 2023 \$'000	2022 \$'000
Franking credits available for subsequent financial years	1,493	1,468

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

Infocus Wealth Management Limited and its controlled entities
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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	2023	2022
	\$'000	\$'000	
Bank overdraft and bank loans	9,213	11,154	

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 \$64k lower/\$64k higher (2022: \$78k lower/\$78k 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 provided vendor finance to one of its authorised representatives who has purchased 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 charges over the client books 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.

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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 the Group does not manage its liquidity risk in this simplified manner.

At 30 June 2023	Contractual cash flows				Carrying amount \$'000	
	Less than 1 year			Total \$'000		
	\$'000	\$'000	\$'000			
Trade and other payables	9,303	250	-	9,553	9,553	
Borrowings	11,753	408	3,673	15,834	13,701	
Lease liabilities	559	259	8	826	787	
	21,615	917	3,681	26,213	24,041	
At 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	
Trade and other payables	7,928	1,000	-	8,928	8,928	
Borrowings	13,198	-	-	13,198	12,482	
Lease liabilities	908	559	268	1,735	1,652	
	22,034	1,559	268	23,831	23,062	

(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 the 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:

Infocus Wealth Management Limited and its controlled entities
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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) after income tax to net cash from operating activities

	Consolidated	2023	2022
	\$'000	\$'000	
Net (loss) after income tax	(2,313)	(3,775)	
Adjustments for:			
Amortisation, depreciation and impairment	2,290	1,744	
Bad and doubtful debts expense	15	246	
Finance costs from lease liabilities included in cashflows from financing activities	62	104	
Gain on sale of client portfolios	-	(113)	
Loss related to the net present value of mortgage trail commissions	227	370	
Change in operating assets and liabilities			
(Increase) in trade and other receivables	(574)	(491)	
Increase in trade and other payables	966	1,592	
Increase/(decrease) in provisions	2	(1,130)	
(Increase)/decrease in deferred tax assets	(82)	325	
(Decrease)/ increase in deferred tax liabilities	(167)	861	
(Decrease) in current tax assets and tax liabilities	(17)	(26)	
Net cash provided by/(used in) operating activities	<u>409</u>	<u>(293)</u>	
Movements in borrowings:			
Borrowings and lease liabilities opening balance (note 12 and 13)	14,134	14,618	
Proceeds from borrowings	6,920	6,697	
Repayment of borrowings	(5,542)	(5,178)	
Repayment of lease liabilities (note 13)	(927)	(937)	
Interest and other finance costs paid from lease liabilities	62	104	
Conversion of convertible notes into share issue	-	(2,045)	
Cash flows from bank overdraft	(159)	875	
Borrowings and lease liabilities closing balance (note 12 and 13)	<u>14,488</u>	<u>14,134</u>	

Infocus Wealth Management Limited and its controlled entities
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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 2023 (2022: nil).

Note 20. Capital Commitments

There were no material capital commitments at 30 June 2023.

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	
	2023	2022
	\$	\$
Short-term employee benefits	2,130,906	2,169,916
Post-employment benefits	189,843	181,195
	<hr/>	<hr/>
	2,320,749	2,351,111

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.

Infocus Wealth Management Limited and its controlled entities
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Transactions with related parties

Balances and transactions between the Company and its subsidiaries and controlled entities, 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 Mr and Mrs Steinhardt a fee for the provision of financial guarantees to the Group's bankers.

	2023	2022
	\$	\$
Employment costs – D Steinhardt	455,292	448,901
Employment costs – S Steinhardt	74,913	68,760
Payment for services – related entity for financial guarantees	92,128	93,329
Payment for services – related entity for rental premises	531,655	514,118
Total	1,153,988	1,125,108

	2023	2022
	\$	\$
Key management personnel held the following investments in debt securities of the Company at balance date:		
Convertible notes	485,000	-

Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates. Directors J. Hubbard and D. Steinhardt are clients of a controlled entity within the Group, this relationship is on normal commercial terms and conditions. The Group has earned income from J. Hubbard of \$9,469 for the year ended 30 June 2023 (30 June 2022 \$9,274). The Group has earned income from D. Steinhardt of \$3,236 for the year ended 30 June 2023 (30 June 2022 \$2,460).

Infocus Wealth Management Limited and its controlled entities
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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):

Entity name ¹	Percentage of shares held	2023	2022
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 ³	100%	100%	
Announcer Tax Pty Ltd ³	-	100%	
Announcer Victoria Pty Ltd ³	-	100%	
Capalaba Financial Planning Pty Ltd ²	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 ³	-	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 in this table are incorporated in Australia.

² This entity was held for sale at 30 June 2023, refer Note 2B.

³ These entities were deregistered during the year.

Entity with material non-controlling interests

During the year, the Group entered into an agreement with Artex Risk Solutions (Guernsey) Ltd, a wholly owned subsidiary of Arthur J. Gallagher & Co (AJG), listed on NYSE, to form a Protected Cell Company ("Cell AIC"). The Cell has been formed to act as a captive insurer for the benefit of Infocus as the Cell owner. The Cell is established in Guernsey to benefit from the captive insurance expertise and infrastructure (including its mature regulatory framework, banking and investment facilities) and the Protected Cell Company legislation which is not available to the Group in Australia.

The Group does not hold a controlling interest over Artex Risk Solutions (Guernsey) Ltd, but it does have effective control over the operations of Cell AIC and accordingly the consolidated financial statements incorporate the assets, liabilities, and results of this entity.

Note 23. Auditor's remuneration

	Consolidated	
	2023	2022
	\$	\$
Audit and review services		
Audit services – KPMG		
- Audit and review of financial statements	105,350	87,500

Infocus Wealth Management Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 24. Parent entity information

The parent entity financial information is presented as follows:

Statement of financial position

	2023 \$'000	2022 \$'000
Total current assets	2,374	2,401
Total assets	26,594	27,417
Total current liabilities	14,301	16,051
Total liabilities	18,255	18,081
Equity		
Share capital	16,240	16,240
Accumulated losses	(7,901)	(6,904)
Total equity	8,339	9,336

Statement of profit or loss and other comprehensive income

Loss after income tax	(997)	(4,678)
Total comprehensive income	(997)	(4,678)

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 2023 (2022: \$Nil).

Note 25. Events after the reporting period

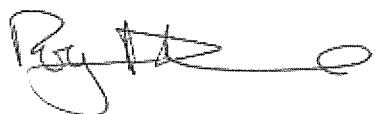
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Infocus Wealth Management Limited and its controlled entities
Directors' declaration
30 June 2023**

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

- (a) the consolidated financial statements and accompanying 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 2023 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

28 September 2023
Maroochydore



Independent Auditor's Report

To the shareholders of Infocus Wealth Management Limited

Opinion

We have audited the **Financial Report** of Infocus Wealth Management Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group**'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Infocus Wealth Management Limited, would be on the same terms if given to the Directors as at the time of this Auditor's Report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2A(bb) in the Financial Report. The conditions disclosed in Note 2A(bb), indicate material uncertainties exist that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Infocus Wealth Management Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

A handwritten signature in black ink, appearing to read 'B E Lovell'.

KPMG

B E Lovell

Partner

Brisbane

29 September 2023

The background of the image is a dark blue color. On the right side, there is a large, abstract graphic element consisting of numerous thin, light blue lines that curve and overlap, creating a sense of depth and motion. The text 'infocus' is positioned in the lower-left quadrant of the image.

infocus