

1. COMPANY DETAILS

Name of entity:	Sequoia Financial Group Limited
ABN:	90 091 744 884
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

The Group has adopted Accounting Standards AASB 16 'Leases' for the half-year ended 31 December 2019. The Accounting Standard has been applied using the modified retrospective approach and comparatives have not been restated therefore.

		\$	
Revenues from ordinary activities	down	8.3% to	41,091,844
Profit from ordinary activities after tax attributable to the owners of Sequoia Financial Group Limited	up	118.3% to	256,675
Profit for the half-year attributable to the owners of Sequoia Financial Group Limited	up	118.3% to	256,675

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the Group after providing for income tax amounted to \$256,675 (31 December 2018: loss of \$1,406,270).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	7.88	8.62

4. CONTROL GAINED OVER ENTITIES

Name of entities (or group of entities)	Libertas Financial Planning Pty Ltd
Date control gained	7 August 2019

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	217,146
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018	0.50	0.50

7. DIVIDEND REINVESTMENT PLANS

The following dividend or distribution plans are in operation:

The Company has an active Dividend Reinvestment Plan ('DRP'). However, there has been no dividend declared for the reporting period.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. FOREIGN ENTITIES

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

Not applicable.

10. AUDIT QUALIFICATION OR REVIEW

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. ATTACHMENTS

Details of attachments (if any):

The Interim Report of Sequoia Financial Group Limited for the half-year ended 31 December 2019 is attached.

12. SIGNED

Signed 

Date: 20 February 2020

John Larsen
Chairman
Melbourne

For personal use only



Sequoia Financial
Group Limited

ABN 90 091 744 884

Interim Report

31 DECEMBER 2019

sequoia
FINANCIAL GROUP

CONTENTS

Directors' report	3
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income.....	6
Statement of financial position	7
Statement of changes in equity.....	8
Statement of cash flows.....	9
Notes to the financial statements	10
Directors' declaration.....	21
Independent auditor's review report to the members of Sequoia Financial Group Limited	22

For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Sequoia Financial Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Final dividend for the year ended 30 June 2018 of 0.5 cents per ordinary share*	-	589,777

* The dividend comprised of a cash dividend paid of \$286,302 and dividend reinvestment allotment of \$303,475, that occurred during the half-year ended 31 December 2018.

REVIEW OF OPERATIONS

The operating performance (EBITDA) for the Group during the half year to 31 December 2019 was substantially higher than the corresponding period to 31 December 2018. The EBITDA for this period totalled \$1,442,371 compared to the previous period of \$146,697. This half year reported a net profit after tax of \$256,674 compared to a net loss of \$1,406,274 for the corresponding period. The financial results have improved due to contribution from Libertas Financial Planning acquired on 7 August 2019, growth in wealth adviser numbers and greater costs control initiatives. In addition, the Group strengthened the balance sheet using cash reserves to pay down its debts from \$2.37 million to \$302,000, which significantly reduced its interest payments.

The Group's main objectives for this financial year are to improve the overall Group EBITDA performance and to actively seek out further organic and acquisition growth opportunities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Libertas Financial Planning Pty Ltd

On 7 August 2019, the Company announced the acquisition of Libertas Financial Planning Pty Ltd ('Libertas'). Libertas is a successful financial advice dealer group with approximately 70 authorised representatives. The acquisition provides Sequoia with further scale in the advice marketplace and based on the latest Money Management dealer group survey makes Sequoia one of the largest non-bank owned financial adviser groups in the country.

As part of the consideration the Company issued 1,500,000 fully paid ordinary shares at 22 cents per share to the seller. \$1,052,039 cash was paid upfront with an additional cash payment in 12 months capped at \$1,500,000 subject to revenue targets being achieved.

Share buy-back

On 26 August 2019, the Company announced an on-market buy-back of ordinary shares in the Company which commenced on 10 September 2019 and will remain in place for a period of up to 12 months or until completed, whichever is the earlier. Under the buy-back the Company can buy-back up to a maximum of 11,919,489 shares. The closing price of the shares on the last day of trading before the buy-back commencement was \$0.19. To date, there have been no buy-back transactions.

Morrison Securities ASX market participant status update

Morrison Securities Pty Ltd, a wholly owned subsidiary, has been granted material amendments to the conditions associated with its ASX market participant status. The amendments allow for a reduction in the core capital requirements from \$12.0 million to \$7.5 million from 21 November 2019.

Yellow Brick Road Wealth Division

On 27 December 2019, the Company's subsidiary, Interprac Pty Ltd, entered into an agreement to purchase the Yellow Brick Road Wealth Division business from Yellow Brick Road Holdings Limited (ASX: YBR). The transaction is expected to complete during the current calendar year and any profit be reflected in the second half of the financial year.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



John Larsen
Chairman

20 February 2020
Melbourne



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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2019 there have been:

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

William Buck

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



N.S. Benbow
Director

Dated this 20th day of February, 2020

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

For personal use only

	Note	Consolidated	
		31 Dec 2019	31 Dec 2018
		\$	\$
Revenue	4	41,091,844	44,812,064
Expenses			
Data fees		(556,618)	(730,671)
Dealing and settlement		(4,257,212)	(4,940,051)
Commission and hedging		(26,274,838)	(29,835,788)
Employee benefits		(5,908,595)	(6,007,530)
Occupancy		(158,208)	(597,875)
Telecommunications		(618,483)	(613,614)
Marketing		(251,586)	(216,879)
General and administrative		(1,623,933)	(1,722,959)
Operating profit		1,442,371	146,697
Interest revenue calculated using the effective interest method		73,526	104,604
Depreciation and amortisation		(838,142)	(1,190,854)
Impairment of assets		-	(530,832)
Acquisition costs for Libertas Financial Planning		(73,148)	-
Finance costs		(152,773)	(332,405)
Profit/(loss) before income tax (expense)/benefit		451,834	(1,802,790)
Income tax (expense)/benefit		(195,159)	396,520
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Sequoia Financial Group Limited		256,675	(1,406,270)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of financial assets at fair value through other comprehensive income, net of tax		(17,700)	(85,685)
Other comprehensive income for the half-year, net of tax		(17,700)	(85,685)
Total comprehensive income for the half-year attributable to the owners of Sequoia Financial Group Limited		238,975	(1,491,955)
		Cents	Cents
Basic earnings per share	9	0.215	(1.209)
Diluted earnings per share	9	0.214	(1.209)

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

	Note	Consolidated	
		31 Dec 2019 \$	30 Jun 2019 \$
Assets			
Current assets			
Cash and cash equivalents		18,146,089	18,852,029
Trade and other receivables		3,985,927	11,675,680
Contract assets and deferred costs		6,621,239	7,510,057
Inventories		8,741	6,386
Financial assets		519,383	675,614
Derivative financial instruments		5,243,374	5,042,611
Deposits		299,308	138,452
Prepayments		435,200	706,591
Total current assets		35,259,261	44,607,420
Non-current assets			
Contract assets and deferred costs		6,171,614	8,078,679
Derivative financial instruments		13,731,798	13,719,935
Financial assets		80,427	40,000
Plant and equipment		1,705,554	1,654,060
Right-of-use assets		3,094,674	-
Intangibles		22,699,854	20,621,472
Deferred tax		6,741,089	7,775,014
Other assets		678,448	392,950
Total non-current assets		54,903,458	52,282,110
Total assets		90,162,719	96,889,530
Liabilities			
Current liabilities			
Trade and other payables		10,524,626	15,551,526
Contingent consideration	8	1,288,815	-
Contract liabilities and deferred revenue		9,325,023	10,585,148
Borrowings		279,435	1,431,658
Lease liabilities		676,576	-
Derivative financial instruments		5,243,374	5,042,610
Current tax liabilities		798,354	1,759,066
Employee benefits		607,217	555,206
Lease incentives		-	624,563
Total current liabilities		28,743,420	35,549,777
Non-current liabilities			
Contract liabilities and deferred revenue		8,635,663	11,394,362
Lease liabilities		3,100,534	-
Derivative financial instruments		13,731,798	13,719,936
Deferred tax		4,089,633	4,928,398
Employee benefits		92,761	124,369
Lease make good provision		200,000	-
Total non-current liabilities		29,850,389	30,167,065
Total liabilities		58,593,809	65,716,842
Net assets		31,568,910	31,172,688
Equity			
Issued capital	5	48,459,190	48,025,034
Reserves		478,723	579,708
Accumulated losses		(17,369,003)	(17,432,054)
Total equity		31,568,910	31,172,688

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

Consolidated	Issued equity \$	Financial assets at fair value through other comprehensive income reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	42,788,182	587,481	229,418	(15,840,909)	27,764,172
Loss after income tax benefit for the half-year	-	-	-	(1,406,270)	(1,406,270)
Other comprehensive income for the half-year, net of tax	-	(85,685)	-	-	(85,685)
Total comprehensive income for the half-year	-	(85,685)	-	(1,406,270)	(1,491,955)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	4,896,401	-	-	-	4,896,401
Vesting of share-based payments	-	-	36,881	-	36,881
Dividends	303,475	-	-	(589,777)	(286,302)
Balance at 31 December 2018	47,988,058	501,796	266,299	(17,836,956)	30,919,197

Consolidated	Issued capital \$	Financial assets at fair value through other comprehensive income reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	48,025,034	430,308	149,400	(17,432,054)	31,172,688
Adjustment for change in accounting policy (note 2)	-	-	-	(193,624)	(193,624)
Balance at 1 July 2019 - restated	48,025,034	430,308	149,400	(17,625,678)	30,979,064
Profit after income tax expense for the half-year	-	-	-	256,675	256,675
Other comprehensive income for the half-year, net of tax	-	(17,700)	-	-	(17,700)
Total comprehensive income for the half-year	-	(17,700)	-	256,675	238,975
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 5)	434,156	-	-	-	434,156
Share-based payments forfeited	-	-	(83,285)	-	(83,285)
Balance at 31 December 2019	48,459,190	412,608	66,115	(17,369,003)	31,568,910

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

Note	Consolidated	
	31 Dec 2019 \$	31 Dec 2018 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	47,633,742	44,680,479
Payments to suppliers and employees (inclusive of GST)	(44,596,714)	(46,944,035)
	3,037,028	(2,263,556)
Interest received	73,526	104,604
Interest and other finance costs paid	(152,773)	(332,405)
Income taxes paid	(960,711)	-
Net cash (used in)/from operating activities	1,997,070	(2,491,357)
Cash flows from investing activities		
Payments for business combinations, net of cash acquired	8 (1,031,350)	-
Payments for plant and equipment	(325,021)	(441,719)
Payments for intangibles	(7,500)	(4,600)
Payments for security deposits	(56,700)	-
Proceeds from disposal of investments	115,442	-
Proceeds from release of security deposits	-	1,109,005
Net cash from/(used in) investing activities	(1,305,129)	662,686
Cash flows from financing activities		
Proceeds from issue of shares	-	5,000,000
Proceeds from borrowings	-	350,417
Repayment of borrowings	(1,197,115)	-
Repayment of lease liabilities	(200,766)	-
Repayment of convertible notes	-	(5,200,000)
Dividends paid	-	(286,302)
Net cash used in financing activities	(1,397,881)	(135,885)
Net decrease in cash and cash equivalents	(705,940)	(1,964,556)
Cash and cash equivalents at the beginning of the financial half-year	18,852,029	19,031,987
Cash and cash equivalents at the end of the financial half-year	18,146,089	17,067,431

The Group holds cash reserves which are required to meet its broker licensing commitments. The conditions of the license, amongst other requirements, mandate that its wholly owned subsidiary, Morrison Securities Pty Ltd must maintain at all times core capital greater than \$7,500,000 (previously \$12,000,000), where at least 90% of this core capital is cash at bank.



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

NOTE 1. GENERAL INFORMATION

The financial statements cover Sequoia Financial Group Limited as a Group consisting of Sequoia Financial Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Sequoia Financial Group Limited's functional and presentation currency.

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

Level 7
7 Macquarie Place
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 February 2020.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 Jul 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	3,824,368
Other disclosed commitments	(366,427)
Short-term leases not recognised as a right-of-use asset	(41,565)
Low value leases not recognised as a right-of-use asset	(82,389)
Operating lease commitments as at 1 July 2019	<u>3,333,987</u>
Discount based on weighted average incremental borrowing rate of 4.0%	(418,822)
Extension and termination options reasonably certain to be exercised	1,141,974
Lease liabilities - recognised as at 1 July 2019	<u>4,057,139</u>
The operating leases consisted of two office tenancies.	
Right-of-use assets	3,424,788
Lease liabilities - current	(624,853)
Lease liabilities - non-current	(3,432,286)
Make good provision	(200,000)
Adjustment to treatment lease incentive	638,727
Increase in opening accumulated losses as at 1 July 2019	<u>(193,624)</u>

AASB Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 12 'Income Taxes' in circumstances where uncertain tax treatments exist which will address the accounting diversity which currently exists in practice. An uncertain tax treatment is one where there is uncertainty over whether the relevant taxation authority will accept the entity's tax treatment (i.e. as submitted in the entity's income tax return) under tax law thereby potentially affecting an entity's tax accounting which is based upon the derivation of taxable profits and losses, tax bases, unused tax losses, unused tax credits and tax rates ('tax accounting elements'). The 'unit of account' to be adopted is determined based on the approach which better predicts the anticipated resolution of the uncertainties with the tax authority. The entity shall consider all issues that the tax authority might consider in making such assessment and must make a presumption that the tax authority will examine amounts that it has a right to examine and has obtained full knowledge of all facts as a consequence. If the entity concludes that it is probable that the taxation authority will accept its adopted position representing an uncertain tax treatment, then the entity determines its respective tax accounting elements consistently with the tax treatment included in its tax filings. If, however, the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related tax accounting elements. The Group adopted this interpretation from 1 July 2019 and there was no significant impact on adoption.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes to the significant accounting policies

Changes to the significant accounting policies as a result of the new standards adopted since the Annual Report date are as follows.

Right-of-use assets (from 1 July 2019)

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

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

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

Lease liabilities (from 1 July 2019)

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

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

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

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

The information reported to the CODM is on a monthly basis. The CODM reviews operating profit which is earnings before interest, taxation, depreciation and amortisation adjusted for impairment (adjusted 'EBITDA').

NOTE 3. OPERATING SEGMENTS (CONTINUED)

The principal products and services of each of these operating segments are as follows:

- Sequoia Wealth Group** Sequoia Wealth Group comprises the Financial Planning, Wealth Management and Corporate advisory business units. This is our personal advice division and specialises in supporting accountants, financial planners, mortgage brokers, insurance advisers and investment advisers with an array of solutions such as AFS licensing, merger and acquisitions corporate advice, equity capital market advice, administration and investment platforms, investment and superannuation products, model portfolios and life insurance advice. This is delivered through a mix of employed and self-employed adviser networks and dedicated direct relationships with clients.
- Sequoia Professional Services Group** Sequoia Professional Services Group provides complete SMSF solutions to Financial Planners, Stock Brokers, Mortgage Brokers and Accountants Australia wide. This division also manages a legal practice establishment business and is an Australian leading provider of General Insurance solutions specifically for accountants.
- Sequoia Equity Markets Group** Sequoia Equity Markets Group delivers white label Australian Stockbroking and Specialised Investment solutions to third party institutional and adviser networks that operate their own AFSL such as financial planners, financial advisors, banks, building societies and trading educators.
- Sequoia Direct Investment Group** Sequoia Direct Investment Group provides general advice for investors on portfolio management, SMSFs, share trading, superannuation and insurance. This division also includes market data and trading tools for self-directed investors and has an independent news organisation specialising in finance and business news updates, events and investor communication for ASX-Listed companies.
- Head Office** Head Office relates to the corporate running costs of the Group.

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

For personal use only

NOTE 3. OPERATING SEGMENTS (CONTINUED)

Operating segment information

Consolidated - 31 Dec 2019	Sequoia Wealth Group \$	Sequoia Professional Services Group \$	Sequoia Equity Markets Group \$	Sequoia Direct Investment Group \$	Head Office \$	Total \$
Revenue						
Revenue	19,681,244	2,318,559	17,897,670	1,235,160	-	41,132,633
Gains/(losses) on portfolio investments	(31,192)	-	(9,597)	-	-	(40,789)
Total revenue	19,650,052	2,318,559	17,888,073	1,235,160	-	41,091,844
Adjusted EBITDA						
	1,007,242	613,085	1,451,172	94,466	(1,723,594)	1,442,371
Depreciation and amortisation						(838,142)
Acquisition costs for Libertas Financial Planning						(73,148)
Interest revenue						73,526
Finance costs						(152,773)
Profit before income tax expense						451,834
Income tax expense						(195,159)
Profit after income tax expense						256,675
Assets						
Segment assets	8,158,310	7,406,572	56,461,586	1,065,438	17,070,813	90,162,719
Total assets						90,162,719
Liabilities						
Segment liabilities	2,746,564	269,488	43,520,045	310,650	11,747,062	58,593,809
Total liabilities						58,593,809



NOTE 3. OPERATING SEGMENTS (CONTINUED)

Consolidated - 31 Dec 2018	Sequoia Wealth Group \$	Sequoia Professional Services Group \$	Sequoia Equity Markets Group \$	Sequoia Direct Investment Group \$	Head Office \$	Total \$
Revenue						
Revenue	14,841,337	1,953,431	25,807,146	2,123,629	187,250	44,912,793
Gains/(losses) on portfolio investments	(102,916)	-	2,187	-	-	(100,729)
Total revenue	14,738,421	1,953,431	25,809,333	2,123,629	187,250	44,812,064
Adjusted EBITDA	446,319	337,228	819,599	229,659	(1,686,108)	146,697
Depreciation and amortisation						(1,190,854)
Impairment of assets						(530,832)
Interest revenue						104,604
Finance costs						(332,405)
Loss before income tax benefit						(1,802,790)
Income tax benefit						396,520
Loss after income tax benefit						(1,406,270)
Consolidated - 30 Jun 2019						
Assets						
Segment assets	4,291,975	7,438,106	69,256,950	1,002,038	14,900,461	96,889,530
Total assets						96,889,530
Liabilities						
Segment liabilities	1,800,007	431,121	53,409,040	977,006	9,099,668	65,716,842
Total liabilities						65,716,842

NOTE 4. REVENUE

	Consolidated	
	31 Dec 2019 \$	31 Dec 2018 \$
<i>Revenue from contracts with customers</i>		
Data subscriptions fees	358,007	476,914
Brokerage and commissions revenue	24,245,122	19,083,680
Superannuation product revenue	1,202,095	1,200,893
Structured product revenue	12,303,110	20,702,486
Corporate advisory fees	1,678,782	2,443,901
Media revenue	641,831	750,663
Other income	703,686	254,256
	41,132,633	44,912,793
<i>Other revenue</i>		
Gains/(losses) on portfolio investments	(40,789)	(100,729)
Revenue	41,091,844	44,812,064

Other revenue includes general service revenue and held for trading revenue.

Disaggregation of revenue

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

Consolidated - 31 Dec 2019	Sequoia Wealth Group \$	Sequoia Professional Services Group \$	Sequoia Equity Markets Group \$	Sequoia Direct Investment Group \$	Head Office \$	Total \$
<i>Timing of revenue recognition</i>						
Services transferred at a point in time	19,681,245	2,318,559	5,588,127	303,428	-	27,891,359
Services transferred over time	-	-	12,309,543	931,731	-	13,241,274
	19,681,245	2,318,559	17,897,670	1,235,159	-	41,132,633

Consolidated - 31 Dec 2018	Sequoia Wealth Group \$	Sequoia Professional Services Group \$	Sequoia Equity Markets Group \$	Sequoia Direct Investment Group \$	Head Office \$	Total \$
<i>Timing of revenue recognition</i>						
Services transferred at a point in time	14,841,337	1,953,431	5,043,622	957,090	-	22,795,480
Services transferred over time	-	-	20,763,524	1,166,539	187,250	22,117,313
	14,841,337	1,953,431	25,807,146	2,123,629	187,250	44,912,793

NOTE 5. EQUITY - ISSUED CAPITAL

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 \$	30 Jun 2019 \$
Ordinary shares - fully paid	121,179,270	119,009,824	48,459,190	48,025,034

NOTE 5. EQUITY - ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	119,009,824		48,025,034
Issue of shares	24 July 2019	185,000	\$0.000	-
Issue of shares on acquisition of Libertas Financial Planning Pty Ltd	9 December 2019	1,500,000	\$0.220	330,000
Issue of shares as a deposit for an asset acquisition	27 December 2019	484,446	\$0.215	104,156
Balance	31 December 2019	121,179,270		48,459,190

Share buy-back

On 26 August 2019, the Company announced an on-market buy-back of ordinary shares in the Company which commenced on 10 September 2019 and will remain in place for a period of up to 12 months or until completed, whichever is the earlier. Under the buy-back the Company can buy-back up to a maximum of 11,919,489 shares. The closing price of the shares on the last day of trading before the buy-back commencement was \$0.19.

As at 31 December 2019, no shares had been bought back.

NOTE 6. FAIR VALUE MEASUREMENT

Fair value hierarchy

AASB13 requires disclosure of fair value measurements using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

Level 3: Unobservable inputs for the asset or liability

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value on a recurring basis:

Consolidated - 31 Dec 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed ordinary shares	519,833	-	-	519,833
Unlisted ordinary shares	-	-	80,427	80,427
Derivative financial instruments	-	18,975,172	-	18,975,172
Total assets	519,833	18,975,172	80,427	19,575,432
Liabilities				
Derivative financial instruments	-	18,975,172	-	18,975,172
Convertible notes	-	200,000	-	200,000
Contingent consideration	-	-	1,288,815	1,288,815
Total liabilities	-	19,175,172	1,288,815	20,463,987

NOTE 6. FAIR VALUE MEASUREMENT (CONTINUED)

Consolidated - 30 Jun 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed ordinary shares	675,614	-	-	675,614
Unlisted ordinary shares	-	-	40,000	40,000
Derivative financial instruments	-	18,762,546	-	18,762,546
Total assets	675,614	18,762,546	40,000	19,478,160
Liabilities				
Derivative financial instruments	-	18,762,546	-	18,762,546
Convertible notes	-	200,000	-	200,000
Total liabilities	-	18,962,546	-	18,962,546

There were no transfers between levels during the financial half-year.

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

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

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

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

Unquoted investments have been valued using a price of recent third party transactions.

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

Level 3 assets and liabilities

Consolidated	Unlisted ordinary shares \$	Contingent consideration \$
Balance at 1 July 2019	40,000	-
Additions	40,427	(1,288,815)
Balance at 31 December 2019	80,427	(1,288,815)

NOTE 7. CONTINGENT LIABILITIES

The Group has given a bank guarantee as at 31 December 2019 of \$677,238 (30 June 2019: \$677,238) in relation to rental bonds.

NOTE 8. BUSINESS COMBINATIONS

Half-year to 31 December 2019

Libertas Financial Planning Pty Ltd

On 7 August 2019, the Company announced the 100% equity acquisition of Libertas Financial Planning Pty Ltd ('Libertas'). Libertas is a successful financial advice dealer group with approximately 70 authorised representatives. The acquisition provides Sequoia with further scale in the advice marketplace and based on the latest Money Management dealer group survey, makes Sequoia one of the largest non-bank owned financial adviser groups in the country.

As part of the consideration the Company issued 1,500,000 fully paid ordinary shares at 22 cents per share to the seller. \$1,052,039 cash was paid upfront with an additional cash payment in 12 months capped at \$1,500,000 subject to revenue targets being achieved.

Since acquisition, Libertas has contributed revenue of \$3,838,191 and operating profit of \$217,146. If the acquisition had happened at the beginning of the financial year, the contribution would have been revenue of \$5,033,012 and operating profit of \$259,379.

Details of the provisional fair value of the acquisition are as follows:

	Provisional value* \$
Cash and cash equivalents	20,689
Trade receivables	57,684
Other receivables	6,726
Accrued revenue	10,314
Prepayments	104,458
Trade payables	(26,819)
Other payables	(23,855)
Bank loans	(91,225)
Other liabilities	(3,933)
Net assets acquired	54,039
Goodwill	2,616,815
	<u>2,670,854</u>

Goodwill represents the acquisition of Libertas' AFS licence and revenue stream from onboarded authorised representatives.

Representing:

Cash paid or payable to vendor (including working capital adjustment and payment for net assets)	1,052,039
Sequoia Financial Group Limited shares issued to vendor	330,000
Contingent consideration (subject to revenue target)**	1,288,815
	<u>2,670,854</u>
Acquisition costs expensed to profit or loss during the half-year to 31 December 2019	<u>73,148</u>

* Provisional values assigned to assets and liabilities may be altered until 6 August 2020.

** Contingent consideration

The parties have agreed that the second tranche payment will be calculated based on the following: Gross revenue multiplied by 2.9 less the sum of Fixed Tranche Value and Consideration Shares. The contingent consideration is capped at \$1,500,000. Gross revenue is defined as revenue (for the 12 months from acquisition date), including net professional indemnity insurance payments, but excluding adviser commissions and ASIC levy adviser recoveries.

Half-year to 31 December 2018

There were no business acquisitions in the half-year to 31 December 2018.

NOTE 9. EARNINGS PER SHARE

	Consolidated	
	31 Dec 2019 \$	31 Dec 2018 \$
Profit/(loss) after income tax attributable to the owners of Sequoia Financial Group Limited	256,675	(1,406,270)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	119,370,403	116,337,012
Adjustments for calculation of diluted earnings per share:		
Performance rights	705,000	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	120,075,403	116,337,012
	Cents	Cents
Basic earnings per share	0.215	(1.209)
Diluted earnings per share	0.214	(1.209)

Performance rights have been excluded from the above calculation for the half-year ended 31 December 2018 as their inclusion would be anti-dilutive.

NOTE 10. EVENTS AFTER THE REPORTING PERIOD

Sargon Capital

On 6 December 2019, Sargon Capital Pty Ltd, a substantial shareholder with 19.32% voting power, had filed a notice of change of interests of substantial holder. The new registered holder is SC Australian Holdings 1 Pty Ltd (a wholly owned subsidiary of Sargon Capital Pty Ltd). On 3 February 2020, Sargon Capital Pty Ltd went into receivership and appointed voluntary administrators for its group of companies including SC Australian Holdings 1 Pty Ltd. OneVue Holdings Ltd (ASX: OVH), a creditor of Sargon made an ASX announcement on 5 February 2020 that it has taken control of Sargon's 23,032,816 shares in Sequoia Financial Group Limited, assets under OneVue secured interest.

Yellow Brick Road

The sale and strategic alliance transaction involving the Yellow Brick Road wealth division is expected to be completed in early 2020, following the transfer of advisers and finalisation of other implementation aspects.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

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

John Larsen
Chairman

20 February 2020
Melbourne

For personal use only

Sequoia Financial Group Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sequoia Financial Group Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sequoia Financial Group Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Sequoia Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

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



Nicholas Benbow
Director

Dated this 20th day of February, 2020

For personal use only