**Sequoia Financial Group Limited**
Appendix 4D
Half-year report

## 1. COMPANY DETAILS

| | |
|---|---|
| Name of entity: | Sequoia Financial Group Limited |
| ABN: | 90 091 744 884 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | $ |
|---|---|---|---|
| Revenues from ordinary activities | down | 22.7% to | 61,146,491 |
| Profit from ordinary activities after tax attributable to the owners of Sequoia Financial Group Limited | down | 75.9% to | 630,510 |
| Profit for the half-year attributable to the owners of Sequoia Financial Group Limited | down | 75.9% to | 630,510 |

*Dividends*

| *Details of Dividends* [1] | Cents per share | $ |
|---|---|---|
| 2022 Final dividend (paid 10 October 2022) [2] | 0.90 | 1,226,517 |
| 2023 Interim dividend declared [3] | 0.70 | 945,382 [4] |

(1) All dividends are fully franked

(2) 2022 Final dividend was a cash dividend

(3) Record date for determining entitlement to the 2023 Interim dividend is 6 March 2023, and is to be paid on 29 March 2023

(4) Estimated total dollar value based on number of shares at 31 December 2022

*Comments*
The profit for the Group after providing for income tax amounted to $630,510 (31 December 2021: $2,617,983).

## 3. NET TANGIBLE ASSETS

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 9.87 | 10.47 |

Calculated as follows:

| | Consolidated 31 Dec 2022 $ | Consolidated 31 Dec 2021 $ |
|---|---|---|
| Net assets | 47,197,231 | 43,432,763 |
| Less: Right-of-use assets | (1,701,011) | (1,922,196) |
| Less: Intangibles | (34,542,444) | (30,385,224) |
| Add: Lease liabilities | 2,376,211 | 2,713,802 |
| | 13,329,987 | 13,839,145 |
| Total number of shares issued | 135,054,525 | 132,224,520 |

## 4. CONTROL GAINED OVER ENTITIES

Not applicable.

## 5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

## 6. DIVIDENDS

*Current period*

| *Details of Dividends* [1] | Cents per share | $ |
|---|---|---|
| 2022 Final dividend (paid 10 October 2022) [2] | 0.90 | 1,226,517 |
| 2023 Interim dividend declared [3] | 0.70 | 945,382 [4] |

(1) All dividends are fully franked

(2) 2022 Final dividend was a cash dividend

(3) Record date for determining entitlement to the 2023 Interim dividend is 6 March 2023, and is to be paid on 29 March 2023

(4) Estimated total dollar value based on number of shares at 31 December 2022

*Previous period*

| *Details of Dividends* [1] | Cents per share | $ |
|---|---|---|
| 2021 Final dividend (paid 11 October 2021) [2] | 0.60 | 791,882 |
| 2022 Interim dividend (paid 15 March 2022) [3] | 0.50 | 661,121 |

(1) All dividends are fully franked

(2) 2021 Final dividend comprised of a cash dividend paid of $636,101 and dividend reinvestment allotment of $155,781

(3) 2022 Interim dividend comprised of a cash dividend paid of $528,116 and dividend reinvestment allotment of $134,005

## 7. DIVIDEND REINVESTMENT PLANS

Not applicable.

## 8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| | Reporting entity's percentage holding | | Contribution to profit/(loss) (where material) | |
|---|---|---|---|---|
| Name of associate / joint venture | Reporting period % | Previous period % | Reporting period $ | Previous period $ |
| Taking Control Pty Ltd (joint venture) | 50.00% | 50.00% | - | - |
| *Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)* | | | | |
| Profit/(loss) from ordinary activities before income tax | | | - | - |
| Income tax on operating activities | | | - | - |

## 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 2022 is attached.

## 12. SIGNED

Signed ____________________

Date: 27 February 2023

John Larsen
Chairman
Sydney

# Sequoia Financial Group Limited

ABN 90 091 744 884

# Interim Report

31 DECEMBER 2022

sequoia FINANCIAL GROUP

# CONTENTS

Dear Shareholders,

We are pleased to report Sequoia Financial Group's (SEQ) performance for 1HFY23.

**Executive Summary**
During this period total revenue was $61M and normalised EBITDA (or operating profit) achieved was $3.2M.

On the surface this is a disappointing result when compared to 1HFY22, when total revenue was $79M and normalised EBITDA $5.5M, however, several extraordinary items have negatively impacted both our revenue and profit results, and we would encourage investors to consider these factors in full context when assessing our half yearly performance.

From a revenue perspective, the major distortion between periods is almost exclusively related to a deliberate reduction in new sales within our Sequoia Specialist Investment (SSI) business (part of the Equity Markets Division). We took this decision because of our uncertainty around the direction of interest rates and the volatility of global bond and equity markets. In 1HFY22 the revenue from SSI was $19M higher than 1HFY23 with normalised EBITDA $1.6M above 1HFY23. Going forward, we expect sales revenue from SSI to normalise at approximately $20M per annum.

Our Licensees Services Division made remediation payments to wholesale investor clients of more than $2 million for inappropriate advice dating back to 2019, after AFCA, which does not normally deal with wholesale investor client complaints, used its discretionary power to rule against an adviser previously operating under one of our licences. That adviser was terminated by us in 2020. We have fully expensed these payments, however, we remain confident of recovering these payments from our Insurer in the future.

In terms of other abnormal matters, the acquisitions recently made within our Direct Investment Division have taken longer than anticipated to integrate into our broader business model. Normalised EBITDA for the Direct Investment Division was $0.3M below the corresponding period last year, compared to our budget expecting an increase of $0.7M normalised EBITDA for 1HFY23. This division remains a key focus for our executive team in the coming period and we are expecting an improvement in the performance of this division.

In terms of the other areas of our business we are pleased with the continued performance of our licensee services, corporate finance, legal documents, SMSF administration, ASX execution and clearing, general insurance broking and family office advice businesses.

## Divisional Financial Performance

**Licensees Services**
1HFY23 revenue increased by 5.8% from 1HFY22, with normalised EBITDA impacted by the previously discussed remediation payments. Had such remediation been recovered from the insurer in this same period, the result would have been very strong and well ahead of the FY22 period.

1HFY23 compared to 1HFY22

| | |
|---|---|
| Revenue | $34.8M up from $32.9M |
| Gross Profit | $6.2M up from $5.9M |
| Normalised EBITDA | $2.0M down from $2.5M |

Whilst the 1HFY23 normalised EBITDA margin of 5.8% is down from 1HFY22 of 7.5% on a normalised basis, the trend is positive.

Furthermore, when considering market conditions in FY23, to achieve revenue growth in an industry that has seen a reduction in overall adviser numbers by more than 20% and equity market volumes subsidence, the result in this core division is strong.

SEQ was one of very few licensees that increased the number of advisers to whom we provide services.

**Professional Services**
1HFY23 revenue fell by 9% from 1HFY22, partially because of no longer recording the collection of ASIC fees as revenue. Excluding these ASIC fees, revenue actually increased, illustrated by the increase in gross profit.

1HFY23 compared to 1HFY22

| | |
|---|---|
| Revenue | $4.1M down from $4.5M |
| Gross Profit | $3.0M up from $2.8M |
| Normalised EBITDA | $0.9M down from $1.1M |

Throughout FY23, Professional Services continued to invest in technology, and increased marketing to improve Gross Profit. Over the period, the number of companies using our services (primarily accountants) increased by 500, or 15%, which had a short-term onboarding cost we expect will deliver improved returns in the coming years.

**Equity Markets**
This division is made up of the Sequoia Specialist Investments and the Morrison Securities clearing businesses.

*Sequoia Specialist Investments*
As discussed in several business updates over the last 9 months, our investment team decided to reduce our marketing emphasis of new offerings to sophisticated investors because we believed there was increased risk of capital loss in bond and equity markets as a result of significant uncertainty on interest rate direction over 2-3 years from June 2022 and the resulting higher-than-normal risk to investment performance at the time.

Our decision proved to be a correct one, with many of the investment products we saw come to market showing losses, and the cost of protection and lending skyrocketing. As stated previously, whilst this decision negatively impacted our short-term revenue and profit performance, we believe it will improve our brand reputation and long-term financial position.

We remain less optimistic than in 1HFY22, but more optimistic than we were at the start of 1HFY23, about the direction of interest rates and markets and expect this business to maintain a lower level of sales than in the FY22 period but higher than 1HFY23. We expect normalised EBITDA to be in a range between the FY22 and FY23 results over the next period.

1HFY23 compared to 1HFY22

| | |
|---|---|
| Revenue | $6.6M down from $25.8M |
| Gross Profit | $1.5M down from $3.3M |
| Normalised EBITDA | $0.9M down from $2.5M |

*Morrison Securities*
According to ASX statistics tabled in January 2023, the number of new ASX listings is down very heavily over the past 6 months, and total trades are down approximately 20%.

Against that backdrop, the Morrison Securities business has performed exceptionally well with 1HFY23 revenues only declining 7% from 1HFY22. In the last few months, the company has won some large new clients and expects to win further market share, strongly increasing normalised EBITDA in coming years.

1HFY23 compared to 1HFY22

| | |
|---|---|
| Revenue | $14.0M down from $15.0M |
| Gross Profit | $4.4M down from $5.2M |
| Normalised EBITDA | $0.6M down from $1.1M |

Normalised EBITDA was negatively impacted in 1HFY23 due to unexpected systems development investment in preparation for the ASX move to blockchain (which has not yet eventuated), and increased licensing costs from our technology providers. Given Morrison Securities' new business success in the most recent months, we expect to see normalised EBITDA return towards $0.2M per month in 2HFY23.

**Direct Investment**

1HFY23 Direct Investment revenue increased by 73% from 1HFY22.

1HFY23 compared to 1HFY22

| | |
|---|---|
| Revenue | $1.8M up from $1.0M |
| Gross Profit | $1.1M up from $0.7M |
| Normalised EBITDA | $0.1M down from $0.4M |

The initial integration and investment spend on systems, websites, and changes in personnel across the media, research, education and portfolio management businesses is now expected to deliver improved results. The appointment of Winston Sammut and additional research analysts is expected to have a meaningful impact in the coming months. This will assist the Division in meeting its target of at least $0.5M monthly revenue, and normalised EBITDA above $0.1M per month over the next 6-12 months.

**Head Office**

Over the period, we drove several savings initiatives within our Head Office team. The Head Office shared services costs for 1HFY23 of $1.4M reduced from 1HFY22 of $2.1M.

**Group Future Outlook**

Whilst we are disappointed about our half year result on face value, the Board and Executive team believes the Group can return to strong revenue growth and profit in 2HFY23 and beyond.

We expect the second half result will be far stronger than the first half and in line, if not better than, 2HFY22 that saw second half normalised EBITDA of more than $1M per month on revenues of more than $10M per month.

The Group is continuing to explore acquisition opportunities in licensee services, professional services, general insurance broking and portfolio management, whilst continuing with our strategy of acquiring exiting advisers' customer books.

At the same time the Group confirms it is also open to potential divestment of individual businesses where the carrying value of those businesses is well below their actual market value. We will keep you informed should any of these matters develop into opportunities that we believe would improve shareholder value.

We thank shareholders for their ongoing support and confirm that we are looking to reverse the current trend which has seen our share price decline.

Garry Crole
Managing Director/CEO

John Larsen
Chairman of the board

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 2022.

## 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 Crole | Managing 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 provide a range of services to financial planner, stockbrokers, self-directed investors, superannuation funds and accountants that allows them to offer wealth management solutions to their customers.

This includes, but is not limited to, the provision of licensing services, business support, advice coaching, compliance, education, wholesale clearing, legal document establishments, portfolio management, bespoke investments, administration, investor relations, research and media services.

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

## DIVIDENDS

| *Details of Dividends* (1) | Cents per share | $ |
|---|---|---|
| 2022 Final dividend (paid 10 October 2022) (2) | 0.90 | 1,226,517 |
| 2023 Interim dividend declared (3) | 0.70 | 945,382 (4) |

(1) All dividends are fully franked

(2) 2022 Final dividend was a cash dividend

(3) Record date for determining entitlement to the 2023 Interim dividend is 6 March 2023, and is to be paid on 29 March 2023

(4) Estimated total dollar value based on number of shares at 31 December 2022

As at 31 December 2022, the franking credit balance was $12.7 million.

## REVIEW OF OPERATIONS

The profit for the Group after providing for income tax amounted to $630,510 (31 December 2021: $2,617,983).

Operating revenue from ordinary operating activities of the Group decreased to $61,146,491, down from $79,083,238 in the corresponding half-year ended 31 December 2021, a decrease of 22.7%.

### *Operating profitability*

The Directors are of the view that the best guide to the Group's performance is the Operating profit or normalised EBITDA, which is defined as earnings before interest, tax, depreciation and amortisation ('EBITDA') excluding the impact of:

- Non-operational items (i.e. acquisition-related costs, redundancy costs, impairment charges and fair value adjustments); and
- Non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

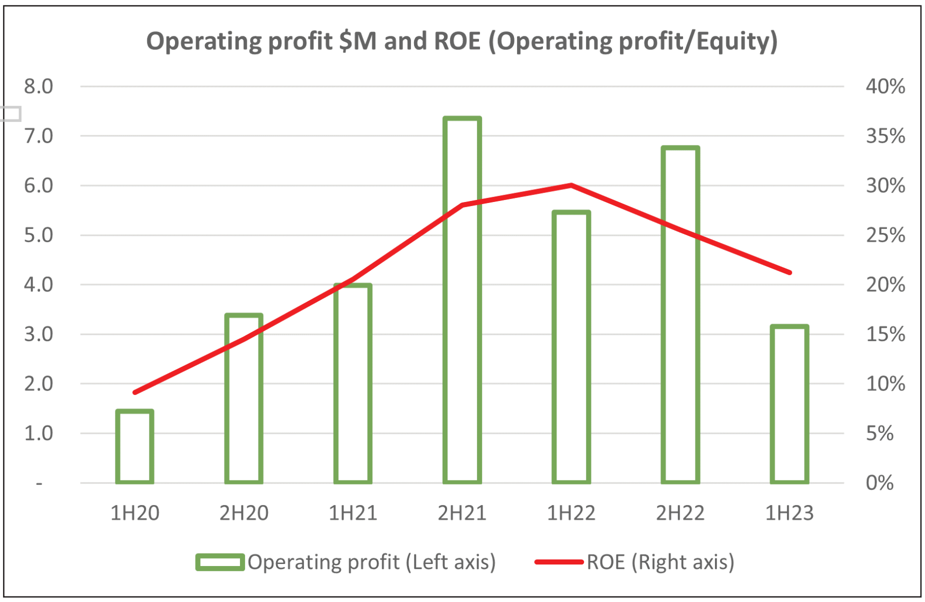
The Operating profit over the half-year ended 31 December 2022 decreased from $5,519,935 to $3,173,904.

This result was impacted by a number of abnormal and unforeseen expenses that we believe should be considered in assessing this performance on a normalised basis. At least $2.0m of the short fall in underlying profit can be attributed to the delay in recovery of claims cost repatriation, higher short term adviser servicing costs associated with the end date for FASEA adviser qualification, the integration costs associated with the purchase of media, research and investor relations businesses within the Sequoia Direct Investment Division and the impact rising interest rates had on the Sequoia Equity Markets Division and new sales of structured investment products.

The revenue in the Sequoia Equity Markets Division fell from $40.8m to $20.6m, all of which was associated with the reduction in sales and revenue associated with our structured investment products. If this was normalised, revenue for the half-year period would have been higher than the previous period. Morrison Securities continued to gain market share and achieved volumes slightly higher than the previous period despite market volumes falling almost 30%.

The Sequoia Professional Services Division increased market share in WA, NSW, and Victoria and continues to generate cash margins in excess of 25% on gross revenues.

The Sequoia Licensees Services Division increased the number of advisers under its AFS licenses and enjoyed a revenue increase over the period of 5.8% from $32.9m to $34.8m. This was a very strong result when the number of advisers across the industry fell by more than 20%. The Sequoia Family Office and general insurance businesses were the standout performers in the period, combined revenues increasing by more than 100% on the prior period.




* Return on Equity ('ROE') is Operating profit over Total equity.

Operating revenue and Operating profit compared to the prior half-year are presented in the following table:

*Financial performance*

| | 31 Dec 2022 $ | 31 Dec 2021 $ | Change $ | Change % |
|---|---|---|---|---|
| Operating revenue from ordinary activities | 61,146,191 | 79,083,238 | (17,937,047) | (22.7%) |
| Statutory net profit after tax | 630,510 | 2,617,983 | (1,987,473) | (75.9%) |
| Operating profit* | 3,173,904 | 5,519,935 | (2,346,031) | (42.5%) |

* Operating profit is the measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items. Operating profit is a financial measure that is not recognised under Australian Accounting Standards and may not be comparable to similarly titled measures used by other companies. Operating profit has been reviewed.

Normalised adjustments have been applied as set out in the following reconciliation between the Group's Operating profit and the statutory net profit for the current and prior half-years:

| | Consolidated | |
|---|---|---|
| | 31 Dec 2022 $ | 31 Dec 2021 $ |
| Operating profit for the half-year | 3,173,904 | 5,519,935 |
| *Deduct normalisation adjustments:* | | |
| Acquisition costs | (19,727) | (55,329) |
| EBITDA for the half-year | 3,154,177 | 5,464,606 |
| *Add/(deduct):* | | |
| Interest revenue calculated using the effective interest method | 369,975 | 2,684 |
| Depreciation and amortisation | (1,802,803) | (1,586,437) |
| Finance costs | (87,511) | (100,056) |
| Statutory net profit before income tax for the half-year | 1,633,838 | 3,780,797 |
| Income tax expense | (1,003,328) | (1,162,814) |
| Statutory net profit after income tax for the half-year | 630,510 | 2,617,983 |

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 21 October 2022, the Company announced it had agreed a new $15,700,000 financing facility with the Australia and New Zealand Banking Group Limited ('ANZ'). The main purpose of the facility is to finance new acquisitions. The facility is made of the following: an uncommitted and undrawn loan facility (with no redraw) of $13,250,000, a committed and undrawn loan facility (with no redraw) of $1,750,000 and a standby letter of guarantee of $700,000. Currently, the standby letter has been used as bank guarantees for office leases (refer to note 11). The facility has a termination date of 1 October 2024 and the drawn amount is repayable on the termination date. Interest is charged and payable quarterly at 1.75% per annum on the committed and undrawn balance or BBSY plus margin of 3.5% per annum on any drawn balance. The key covenants are that the debt to equity ratio cannot exceed 1.5 and the EBITDA interest cover ratio cannot be less than 3.5. As at 31 December 2022, no amount had been drawn on the loan or utilised during the half-year.

On 23 December 2022, the Company appointed Ms Sally McDow, Boardroom Pty Ltd (the Company's corporate secretarial services provider) as Joint Company Secretary. Ms McDow is a replacement for Ms Rebecca Weir, who resigned from Boardroom Pty Ltd. Ms Lizzie Tan continues to act as Joint Company Secretary.

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 27 February 2023, the Company declared an interim dividend for the half-year ended 31 December 2022 of 0.70 cents per share, fully franked. The record date for determining entitlements to the dividends is 6 March 2023 and is to be paid on 29 March 2023. The financial effect of these dividends has not been brought to account in the financial statements for the half-year ended 31 December 2022 and will be recognised in subsequent financial periods. Estimated total dollar value based on number of shares at 31 December 2022 is $945,382.

No other matter or circumstance has arisen since 31 December 2022 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.

## 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

27 February 2023
Sydney

WilliamBuck
ACCOUNTANTS & ADVISORS

## 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 period ended 31 December 2022 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

**J. C. Luckins**
Director
Melbourne, 27 February 2023

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com
williambuck.com.au

| | Note | Consolidated 31 Dec 2022 $ | Consolidated 31 Dec 2021 $ |
|---|---|---|---|
| **Revenue** | 4 | 61,146,491 | 79,083,238 |
| | | | |
| **Expenses** | | | |
| Data fees | | (1,160,162) | (1,018,346) |
| Dealing and settlement | | (10,137,530) | (11,273,758) |
| Commission and hedging | | (32,841,683) | (47,496,430) |
| Employee benefits | | (8,704,211) | (9,106,378) |
| Occupancy | | (229,598) | (178,661) |
| Telecommunications | | (1,121,106) | (885,135) |
| Marketing | | (260,246) | (136,116) |
| General and administrative | | (3,518,051) | (3,468,479) |
| | | | |
| **Operating profit** | | 3,173,904 | 5,519,935 |
| | | | |
| Interest revenue calculated using the effective interest method | | 369,975 | 2,684 |
| Depreciation | | (685,903) | (629,821) |
| Amortisation | | (1,116,900) | (956,616) |
| Acquisition costs | | (19,727) | (55,329) |
| Finance costs | | (87,511) | (100,056) |
| | | | |
| **Profit before income tax expense** | | 1,633,838 | 3,780,797 |
| | | | |
| Income tax expense | 5 | (1,003,328) | (1,162,814) |
| | | | |
| **Profit after income tax expense for the half-year attributable to the owners of Sequoia Financial Group Limited** | | 630,510 | 2,617,983 |
| | | | |
| **Other comprehensive (expense)/income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| (Loss)/gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax | | (42) | 50 |
| | | | |
| Other comprehensive (expense)/income for the half-year, net of tax | | (42) | 50 |
| | | | |
| **Total comprehensive income for the half-year attributable to the owners of Sequoia Financial Group Limited** | | 630,468 | 2,618,033 |
| | | | |
| Basic earnings per share | 12 | 0.464 | 1.983 |
| Diluted earnings per share | 12 | 0.457 | 1.924 |

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

Statement of financial position

| | Note | Consolidated 31 Dec 2022 $ | Consolidated 30 Jun 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 31,771,537 | 36,607,635 |
| Trade and other receivables | | 19,482,898 | 31,302,580 |
| Contract assets and deferred costs | | 5,526,309 | 6,660,126 |
| Inventories | | - | 30,499 |
| Investments in shares | | 1,380,956 | 1,589,036 |
| Derivative financial instruments | | 4,506,515 | 3,316,339 |
| Prepayments | | 544,882 | 848,728 |
| Total current assets | | 63,213,097 | 80,354,943 |
| **Non-current assets** | | | |
| Contract assets and deferred costs | | 1,658,910 | 2,793,800 |
| Investments accounted for using the equity method | | 8,746 | 16,246 |
| Derivative financial instruments | | 2,824,516 | 7,035,038 |
| Other non-current financial assets | | 62,302 | 62,302 |
| Plant and equipment | | 1,274,217 | 1,336,629 |
| Right-of-use assets | | 1,701,011 | 1,700,335 |
| Goodwill and intangible assets | 6 | 34,542,444 | 35,654,445 |
| Deferred tax | | 4,854,766 | 6,000,655 |
| Deposits | | 99,184 | 744,679 |
| Total non-current assets | | 47,026,096 | 55,344,129 |
| **Total assets** | | 110,239,193 | 135,699,072 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 32,043,627 | 48,412,396 |
| Contract liabilities and deferred revenue | | 7,252,579 | 8,908,663 |
| Interest bearing loans and borrowings | 7 | - | 490,777 |
| Lease liabilities | | 1,011,334 | 911,234 |
| Derivative financial instruments | | 4,506,515 | 3,316,339 |
| Income tax payable | | 425,169 | 665,883 |
| Employee benefits | | 1,571,551 | 1,869,371 |
| Contingent consideration | | 3,140,182 | 3,140,182 |
| Total current liabilities | | 49,950,957 | 67,714,845 |
| **Non-current liabilities** | | | |
| Contract liabilities and deferred revenue | | 2,114,713 | 3,540,648 |
| Lease liabilities | | 1,364,877 | 1,525,681 |
| Derivative financial instruments | | 2,824,516 | 7,035,038 |
| Deferred tax | | 3,627,909 | 4,605,502 |
| Employee benefits | | 305,375 | 155,953 |
| Client trading and security bond | | 2,853,615 | 2,746,115 |
| Total non-current liabilities | | 13,091,005 | 19,608,937 |
| **Total liabilities** | | 63,041,962 | 87,323,782 |
| **Net assets** | | 47,197,231 | 48,375,290 |

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

Statement of financial position

| | Note | Consolidated 31 Dec 2022 $ | 30 Jun 2022 $ |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 8 | 53,867,905 | 54,491,225 |
| Reserves | | 758,742 | 717,474 |
| Accumulated losses | | (7,429,416) | (6,833,409) |
| **Total equity** | | 47,197,231 | 48,375,290 |

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

| Consolidated | Issued capital $ | Financial assets at fair value reserve $ | Share-based payments reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2021 | 51,524,175 | 488,396 | 276,828 | (11,171,940) | 41,117,459 |
| Profit after income tax expense for the half-year | - | - | - | 2,617,983 | 2,617,983 |
| Other comprehensive income for the half-year, net of tax | - | 50 | - | - | 50 |
| Total comprehensive income for the half-year | - | 50 | - | 2,617,983 | 2,618,033 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs | 235,502 | - | - | - | 235,502 |
| Vesting of share-based payments | - | - | 97,870 | - | 97,870 |
| Dividends paid and effect of dividend reinvestment plan (note 9) | 155,781 | - | - | (791,882) | (636,101) |
| Balance at 31 December 2021 | 51,915,458 | 488,446 | 374,698 | (9,345,839) | 43,432,763 |

| Consolidated | Issued capital $ | Financial assets at fair value reserve $ | Share-based payments reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | 54,491,225 | 548,229 | 169,245 | (6,833,409) | 48,375,290 |
| Profit after income tax expense for the half-year | - | - | - | 630,510 | 630,510 |
| Other comprehensive expense for the half-year, net of tax | - | (42) | - | - | (42) |
| Total comprehensive (expense)/income for the half-year | - | (42) | - | 630,510 | 630,468 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Payments for share buy-backs (note 8) | (623,320) | - | - | - | (623,320) |
| Vesting of share-based payments | - | - | 41,310 | - | 41,310 |
| Dividends paid (note 9) | - | - | - | (1,226,517) | (1,226,517) |
| Balance at 31 December 2022 | 53,867,905 | 548,187 | 210,555 | (7,429,416) | 47,197,231 |

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

## Statement of cash flows

| | Note | Consolidated 31 Dec 2022 $ | Consolidated 31 Dec 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 64,500,892 | 81,671,226 |
| Payments to suppliers and employees (inclusive of GST) | | (62,348,601) | (75,711,618) |
| Net cash used in client related operations | | (3,111,263) | (267,489) |
| | | (958,972) | 5,692,119 |
| Interest received | | 369,975 | 2,684 |
| Interest and other finance costs paid | | (44,457) | (54,434) |
| Income taxes paid | | (1,075,747) | (1,412,910) |
| Net cash (used in)/from operating activities | | (1,709,201) | 4,227,459 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | | - | (1,025,000) |
| Payments for investments in shares | | (116,938) | (112,199) |
| Payments for plant and equipment | | (247,378) | (187,523) |
| Payments for asset acquisitions | | - | (854,350) |
| Proceeds from disposal of investments in shares | | 65,137 | 124,553 |
| Proceeds of distributions from joint venture | | 7,500 | 20,000 |
| Net cash used in investing activities | | (291,679) | (2,034,519) |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of options | | - | 27,000 |
| Payments for share buy-backs | | (623,320) | - |
| Payments for borrowings | | (490,776) | - |
| Repayment of lease liabilities | | (494,605) | (420,394) |
| Dividends paid | 9 | (1,226,517) | (636,101) |
| Net cash used in financing activities | | (2,835,218) | (1,029,495) |
| Net (decrease)/increase in cash and cash equivalents | | (4,836,098) | 1,163,445 |
| Cash and cash equivalents at the beginning of the financial half-year | | 36,607,635 | 34,643,167 |
| Cash and cash equivalents at the end of the financial half-year | | 31,771,537 | 35,806,612 |

| | Consolidated 31 Dec 2022 $ | Consolidated 31 Dec 2021 $ |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash at bank* | 15,198,679 | 17,356,426 |
| Client funds** | 16,572,858 | 18,450,186 |
| | 31,771,537 | 35,806,612 |

* The Group holds cash reserves which are required to meet its broker licensing conditions. The conditions of the license, amongst other requirements, mandate that its wholly-owned subsidiary, Morrison Securities, must maintain at all times core capital greater than $7,500,000 (31 December 2021: $7,500,000), where at least 90% of this core capital is cash at bank.

** Client funds are not available for general use by the Group.

*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 ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to in these financial statements as the 'Group'). 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 are:

| **Registered office** | **Principal place of business** |
|---|---|
| Level 7 | Level 8 |
| 7 Macquarie Place | 525 Flinders Street |
| Sydney NSW 2000 | Melbourne VIC 3000 |

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 27 February 2023. The directors have the power to amend and reissue the financial statements.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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, unless otherwise stated.

## 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

## 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.

## NOTE 3. OPERATING SEGMENTS (CONTINUED)

On a monthly basis the CODM reviews operating profit, which is earnings before interest, taxation, depreciation and amortisation, and non-operational items (such as, acquisition-related costs, redundancy costs and impairment charges).

*Types of products and services*
The principal products and services of each of the Group's operating segments are as follows:

**Sequoia Licensees Services Group**

The Licensees Services Group is the core driver of the company business thematic.

The Licensees Services Group is the area of the business where we provide licensee services to financial planners, wealth managers, equity advisers and a corporate advisory business unit.

The Licensees Services Group specialises in providing the adviser market a full service licensing and support service so they can operate as an adviser in a market that is heavily legislated. Our role is to charge a fee for service and assist with a range of value propositions including compliance, marketing, coaching, education, research, and technical support.

The advisers are primarily accountants, financial planners, mortgage brokers, insurance advisers, equity market advisers and investment professionals with their AFS licensing, merger and acquisitions corporate advice.

From 1 July 2022, the information provided to the CODM now reports the entities, Sequoia Insurance Brokers Pty Ltd and Sequoia Premium Funding Pty Ltd, in the Sequoia Licensees Services Group, which were previously in the Sequoia Professional Services Group. The 31 December 2021 comparatives have been restated accordingly.

**Sequoia Professional Services Group**

The Professional Services Group provides services to intermediaries including licensed advisers, accountants and lawyers. This service provision includes SMSF administration, general insurance broking, legal document establishment services and company secretarial services. The division has relationships with over 3,000 accountants and financial planners across Australia, who have used at least one service from the division.

**Sequoia Equity Markets Group**

The Equity Markets Group provides services to licensed advisers, self directed investors and superannuation funds. The companies fully owned subsidiary Morrison Securities delivers white label Australian Stockbroking and Specialised Investment solutions to third party institutional and adviser networks that operate their own AFSL.

**Sequoia Direct Investment Group**

The Direct Investment Group provides a range of media services, research and general advice to self directed investors. In addition, the division looks to support AFSL holders with tools to reduce the cost of advice by providing news, research and data on managed funds, direct shares and bonds.

**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.

## NOTE 3. OPERATING SEGMENTS (CONTINUED)

*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.

*Operating segment information*

| Consolidated - 31 Dec 2022 | Sequoia Licensees Services Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue | 34,834,602 | 4,098,892 | 20,596,403 | 1,801,630 | 72,248 | 61,403,775 |
| Gains/(losses) on portfolio investments | (257,375) | - | 91 | - | - | (257,284) |
| **Total revenue** | 34,577,227 | 4,098,892 | 20,596,494 | 1,801,630 | 72,248 | 61,146,491 |
| **Operating profit** | 2,031,707 | 944,586 | 1,554,448 | 102,335 | (1,459,172) | 3,173,904 |
| Depreciation | | | | | | (685,903) |
| Amortisation | | | | | | (1,116,900) |
| Acquisition costs | | | | | | (19,727) |
| Interest revenue | | | | | | 369,975 |
| Finance costs | | | | | | (87,511) |
| **Profit before income tax expense** | | | | | | 1,633,838 |
| Income tax expense | | | | | | (1,003,328) |
| **Profit after income tax expense** | | | | | | 630,510 |

| Consolidated - 31 Dec 2021 | Sequoia Licensees Services Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue* | 32,905,737 | 4,534,644 | 40,762,226 | 1,041,346 | 1,000 | 79,244,953 |
| Gains/(losses) on portfolio investments | (162,010) | - | 295 | - | - | (161,715) |
| **Total revenue** | 32,743,727 | 4,534,644 | 40,762,521 | 1,041,346 | 1,000 | 79,083,238 |
| **Operating profit** | 2,467,150 | 1,096,418 | 3,609,717 | 431,423 | (2,084,773) | 5,519,935 |
| Depreciation | | | | | | (629,821) |
| Amortisation | | | | | | (956,616) |
| Acquisition costs | | | | | | (55,329) |
| Interest revenue | | | | | | 2,684 |
| Finance costs | | | | | | (100,056) |
| **Profit before income tax expense** | | | | | | 3,780,797 |
| Income tax expense | | | | | | (1,162,814) |
| **Profit after income tax expense** | | | | | | 2,617,983 |

* The 31 December 2021 comparatives have been restated accordingly due to the change in allocations reported to the CODM, as referred above.

## NOTE 4. REVENUE

| | Consolidated 31 Dec 2022 $ | Consolidated 31 Dec 2021 $ |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Data subscriptions fees | 181,593 | 185,554 |
| Brokerage and commissions revenue | 47,115,877 | 44,017,171 |
| Superannuation product revenue | 1,256,870 | 1,159,603 |
| Structured product revenue | 6,636,227 | 26,228,001 |
| Corporate advisory fees | 3,905,560 | 5,618,931 |
| Media revenue | 987,339 | 383,845 |
| Other income | 1,320,309 | 1,651,848 |
| | 61,403,775 | 79,244,953 |
| *Other revenue* | | |
| Losses on portfolio investments | (257,284) | (161,715) |
| Revenue | 61,146,491 | 79,083,238 |

*Disaggregation of revenue*

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

| Consolidated - 31 Dec 2022 | Sequoia Licensees Services Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| *Timing of revenue recognition* | | | | | | |
| Services transferred at a point in time | 34,834,602 | 4,098,892 | 13,961,403 | 1,137,368 | 72,248 | 54,104,513 |
| Services transferred over time | - | - | 6,635,000 | 664,262 | - | 7,299,262 |
| | 34,834,602 | 4,098,892 | 20,596,403 | 1,801,630 | 72,248 | 61,403,775 |

| Consolidated - 31 Dec 2021 | Sequoia Licensees Services Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| *Timing of revenue recognition* | | | | | | |
| Services transferred at a point in time | 32,905,737 | 4,534,644 | 14,962,323 | 473,011 | 1,000 | 52,876,715 |
| Services transferred over time | - | - | 25,799,903 | 568,335 | - | 26,368,238 |
| | 32,905,737 | 4,534,644 | 40,762,226 | 1,041,346 | 1,000 | 79,244,953 |

## NOTE 5. INCOME TAX

| | Consolidated | |
|---|---|---|
| | 31 Dec 2022 $ | 31 Dec 2021 $ |
| *Income tax expense* | | |
| Current tax | 483,328 | 1,335,356 |
| Deferred tax - origination and reversal of temporary differences | 168,296 | (172,542) |
| Adjustment in respect to current tax for prior year | 351,704 | - |
| Aggregate income tax expense | 1,003,328 | 1,162,814 |
| Deferred tax included in income tax expense comprises: | | |
| Decrease/(increase) in deferred tax assets | 1,145,889 | (122,858) |
| Decrease in deferred tax liabilities | (977,593) | (49,684) |
| Deferred tax - origination and reversal of temporary differences | 168,296 | (172,542) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 1,633,838 | 3,780,797 |
| Tax at the statutory tax rate of 30% | 490,151 | 1,134,239 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 214,870 | 149,257 |
| Net research and development credit | - | (51,527) |
| Sundry items | (53,397) | (69,155) |
| | 651,624 | 1,162,814 |
| Adjustment in respect to current tax for prior year | 351,704 | - |
| Income tax expense | 1,003,328 | 1,162,814 |

## NOTE 6. GOODWILL AND INTANGIBLE ASSETS

*Impairment testing of intangible assets of indefinite life*

Intangible assets of indefinite life, consisting of goodwill, regulatory memberships and licences and brand names acquired through business combinations have been allocated to the following cash generating units:

| Consolidated - 31 Dec 2022 | Goodwill $ | Regulatory memberships and licences $ | Brand name $ | Total $ |
|---|---|---|---|---|
| *Cash generating units ('CGUs'):* | | | | |
| Sequoia Licensees Services Group | 1,809,211 | 265,432 | 1,200,832 | 3,275,475 |
| Sequoia Professional Services Group | 4,930,386 | - | 620,401 | 5,550,787 |
| Sequoia Equity Markets Group | 4,862,392 | 3,564,206 | - | 8,426,598 |
| Sequoia Direct Investment Group | 5,954,512 | - | - | 5,954,512 |
| | 17,556,501 | 3,829,638 | 1,821,233 | 23,207,372 |

| Consolidated - 30 Jun 2022 | Goodwill $ | Regulatory memberships and licences $ | Brand name $ | Total $ |
|---|---|---|---|---|
| *Cash generating units ('CGUs'):* | | | | |
| Sequoia Licensees Services Group | 1,809,211 | 267,661 | 1,200,832 | 3,277,704 |
| Sequoia Professional Services Group | 4,930,386 | - | 620,401 | 5,550,787 |
| Sequoia Equity Markets Group | 4,862,392 | 3,564,206 | - | 8,426,598 |
| Sequoia Direct Investment Group | 5,954,512 | - | - | 5,954,512 |
| | 17,556,501 | 3,831,867 | 1,821,233 | 23,209,601 |

The recoverable amount of the Group's CGUs has been determined by a value-in-use calculation using a discounted cash flow model, based on a 12-month projection period approved by management and extrapolated for a further 4 years by using key assumptions.

Key assumptions are those to which the recoverable amount of an asset or CGUs is most sensitive.

The following key assumptions were used in the discounted cash flow model in relation to the intangible assets of indefinite life associated to various CGUs:

*Key assumptions*

| | Revenue growth rate % | Cost of sales growth rate % | Discount rate % |
|---|---|---|---|
| *Cash generating units ('CGUs'):* | | | |
| Sequoia Licensees Services Group | 4.5% | 4.0% | 16.5% |
| Sequoia Professional Services Group | 4.5% | 4.0% | 16.5% |
| Sequoia Equity Markets Group | 4.5% | 4.0% | 16.5% |
| Sequoia Direct Investment Group | 4.5% | 4.0% | 16.5% |

The intangible assets of indefinite life are considered to be sensitive to these assumptions and are carried in the statement of financial position at a written-down value. Based on this assessment, as at 31 December 2022, an impairment to the value of intangible assets of indefinite life is not needed.

## NOTE 7. INTEREST BEARING LOANS AND BORROWINGS

| | Consolidated | |
|---|---|---|
| | 31 Dec 2022 $ | 31 Dec 2021 $ |
| *Current liabilities* | | |
| Other unsecured loans* | - | 490,777 |

* Other unsecured loans relates to funding for Professional Indemnity Insurance Premium at an interest rate of 4.23%. As at 31 December 2022, all other unsecured loans had been repaid.

On 21 October 2022, the Company announced it had agreed a new $15,700,000 financing facility with the Australia and New Zealand Banking Group Limited ('ANZ'). The main purpose of the facility is to finance new acquisitions. The facility is made of the following: an uncommitted and undrawn loan facility (with no redraw) of $13,250,000, a committed and undrawn loan facility (with no redraw) of $1,750,000 and a standby letter of guarantee of $700,000. Currently, the standby letter has been used as bank guarantees for office leases (refer to note 11). The facility has a termination date of 1 October 2024 and the drawn amount is repayable on the termination date. Interest is charged and payable quarterly at 1.75% per annum on the committed and undrawn balance or BBSY plus margin of 3.5% per annum on any drawn balance. The key covenants are that the debt to equity ratio cannot exceed 1.5 and the EBITDA interest cover ratio cannot be less than 3.5. As at 31 December 2022, no amount had been drawn on the loan or utilised during the half-year.

## NOTE 8. ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 31 Dec 2022 Shares | 30 Jun 2022 Shares | 31 Dec 2022 $ | 30 Jun 2022 $ |
| Ordinary shares - fully paid | 135,054,525 | 136,279,689 | 53,867,905 | 54,491,225 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2022 | 136,279,689 | | 54,491,225 |
| Share buy-back | 5 September 2022 | (50,000) | $0.5750 | (28,750) |
| Share buy-back | 8 September 2022 | (164) | $0.5750 | (94) |
| Share buy-back | 12 September 2022 | (3,441) | $0.5750 | (1,979) |
| Share buy-back | 26 September 2022 | (46,559) | $0.5750 | (26,771) |
| Share buy-back | 27 September 2022 | (50,000) | $0.5700 | (28,500) |
| Share buy-back | 27 September 2022 | (100,000) | $0.5475 | (54,750) |
| Share buy-back | 17 October 2022 | (175,000) | $0.5286 | (92,500) |
| Share buy-back | 24 November 2022 | (800,000) | $0.4875 | (389,976) |
| Balance | 31 December 2022 | 135,054,525 | | 53,867,905 |

## NOTE 9. DIVIDENDS

*Details of Dividends* [(1)]

| | Cents per share | $ |
|---|---|---|
| 2022 Final dividend (paid 10 October 2022) [(2)] | 0.90 | 1,226,517 |
| 2023 Interim dividend declared [(3)] | 0.70 | 945,382 [(4)] |

(1) All dividends are fully franked

(2) 2022 Final dividend was a cash dividend

(3) Record date for determining entitlement to the 2023 Interim dividend is 6 March 2023, and is to be paid on 29 March 2023

(4) Estimated total dollar value based on number of shares at 31 December 2022

## NOTE 10. 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 2022 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| *Assets* | | | | |
| Listed ordinary shares | 1,380,956 | - | - | 1,380,956 |
| Unlisted ordinary shares | - | - | 62,302 | 62,302 |
| Derivative financial instruments | - | 7,331,031 | - | 7,331,031 |
| Total assets | 1,380,956 | 7,331,031 | 62,302 | 8,774,289 |
| *Liabilities* | | | | |
| Derivative financial instruments | - | 7,331,031 | - | 7,331,031 |
| Contingent consideration | - | 3,140,182 | - | 3,140,182 |
| Total liabilities | - | 10,471,213 | - | 10,471,213 |

| Consolidated - 30 Jun 2022 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| *Assets* | | | | |
| Listed ordinary shares | 1,589,036 | - | - | 1,589,036 |
| Unlisted ordinary shares | - | - | 62,302 | 62,302 |
| Derivative financial instruments | - | 10,351,377 | - | 10,351,377 |
| Total assets | 1,589,036 | 10,351,377 | 62,302 | 12,002,715 |
| *Liabilities* | | | | |
| Derivative financial instruments | - | 10,351,377 | - | 10,351,377 |
| Contingent consideration | - | 3,140,182 | - | 3,140,182 |
| Total liabilities | - | 13,491,559 | - | 13,491,559 |

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.

## NOTE 10. FAIR VALUE MEASUREMENT (CONTINUED)

Unquoted investments have been valued using prices evident in 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 $ |
|---|---|
| Balance at 1 July 2022 | 62,302 |
| Balance at 31 December 2022 | 62,302 |

## NOTE 11. CONTINGENT LIABILITIES

As part of the ANZ financing facility, the Group has given bank guarantees as at 31 December 2022 of $677,238 in relation to rental bonds. No term deposit was required for the ANZ bank guarantees. These replaced the previous Westpac Banking Corporation bank guarantees (30 June 2022: $723,469).

The Group's legal counsel is currently acting on several matters referred to the Australian Financial Complaints Authority ('AFCA') relating to the provision of financial services to its retail clients. The Group has assessed any potential obligations relating to these complaints after pursuing a recourse from the advisers in the following manner:

- Those complaints for which there is a probable likelihood of restitution being paid, have been accrued in these financial statements, together with any associated legal costs and net of any available insurance cover; and
- The Directors have assessed complaints for which there is less than a probable likelihood of restitution (including the impact of legal costs and insurance), and have chosen not to disclose the likely amount as they are still subject to proceedings with AFCA and potential recourse from the advisers, and the disclosure of such amounts is likely to prejudice those proceedings.

Morrison Securities Pty Ltd, a subsidiary of Sequoia Financial Group Ltd, has an ANZ overdraft facility of $3,000,000 to cover any intra-day cash market margining requirements over and above Morrison Securities Pty Ltd's available cash. As at 31 December 2022, this overdraft facility was not utilised.

The Group is not aware of any other contingent liabilities that were materially significant to these financial statements.

## NOTE 12. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 31 Dec 2022<br>$ | 31 Dec 2021<br>$ |
| Profit after income tax attributable to the owners of Sequoia Financial Group Limited | 630,510 | 2,617,983 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 135,905,139 | 132,003,418 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares * | 2,000,000 | 4,075,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 137,905,139 | 136,078,418 |

* The options over ordinary shares are dilutive as the exercise price of the options has been exceeded.

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 0.464 | 1.983 |
| Diluted earnings per share | 0.457 | 1.924 |

## NOTE 13. EVENTS AFTER THE REPORTING PERIOD

On 27 February 2023, the Company declared an interim dividend for the half-year ended 31 December 2022 of 0.70 cents per share, fully franked. The record date for determining entitlements to the dividends is 6 March 2023 and is to be paid on 29 March 2023. The financial effect of these dividends has not been brought to account in the financial statements for the half-year ended 31 December 2022 and will be recognised in subsequent financial periods. Estimated total dollar value based on number of shares at 31 December 2022 is $945,382.

No other matter or circumstance has arisen since 31 December 2022 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 2022 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

John Larsen
Chairman

27 February 2023
Sydney

# Sequoia Financial Group Limited
## Independent auditor's review report

### 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 group), which comprises the consolidated statement of financial position as at 31 December 2022, 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, 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 2022 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*.

### Basis for Conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Responsibility of Management for the 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.

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com
williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

## Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 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*.

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.

William Buck

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

**J. C. Luckins**
Director
Melbourne, 27 February 2023