Appendix 4E
Preliminary final report

## 1. COMPANY DETAILS

| | |
|---|---|
| Name of entity: | Sequoia Financial Group Limited |
| ABN: | 90 091 744 884 |
| Reporting period: | For the year ended 30 June 2018 |
| Previous period: | For the year ended 30 June 2017 |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | $ |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 115.7% | to | 75,674,127 |
| Profit from ordinary activities after tax attributable to the owners of Sequoia Financial Group Limited | up | 225.6% | to | 2,310,985 |
| Profit for the year attributable to the owners of Sequoia Financial Group Limited | up | 225.6% | to | 2,310,985 |

*Dividends*
On 30 August 2018, the Company declared an ordinary fully franked dividend for the second half of the year ended 30 June 2018 (2018: Final Dividend) of 0.5 cents per share. The final dividend is to be paid on 25 October 2018. The record date for the final dividend is 11 October 2018.

## 3. NET TANGIBLE ASSETS

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 6.27 | 3.04 |

## 4. CONTROL GAINED OVER ENTITIES

| | |
|---|---|
| Name of entities (or group of entities) | Morrison Securities Pty Ltd, Interprac Ltd and My Own Super Fund |
| Date control gained | 18 September 2017, 1 December 2017 and 1 March 2018 |

| | $ |
|---|---|
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | 2,141,410 |
| 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

| | |
|---|---|
| Name of entities (or group of entities) | Reach Financial Group Pty Ltd (formerly Sequoia Direct Pty Ltd) |
| Date control lost | 30 June 2018 |

| | $ |
|---|---|
| Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material) | 91,151 |
| Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material) | 199,864 |

## 6. DIVIDENDS

*Current period*
On 30 August 2018, the Company declared an ordinary fully franked dividend for the second half of the year ended 30 June 2018 (2018: Final Dividend) of 0.5 cents per share. The final dividend is to be paid on 25 October 2018. The record date for the final dividend is 11 October.

*Previous period*
There were no dividends paid, recommended or declared during the previous financial period.

## 7. DIVIDEND REINVESTMENT PLANS

The Company has resolved to implement a Dividend Reinvestment Plan

The Company has introduced a Dividend Reinvestment Plan that will be active for the 2018 Final Dividend. The Directors have determined that a 2.5% discount will apply to the 2018 Final Dividend. Shares allocated to shareholders under the DRP for the 2018 Final Dividend will be allocated at an amount equal to 97.5% of the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 5 trading days prior to 11 October 2018.

The last date(s) for receipt of election notices for the dividend or distribution plans: 12 October 2018

## 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 have been audited and an unqualified opinion has been issued.

## 11. ATTACHMENTS

*Details of attachments (if any):*
The Annual Report of Sequoia Financial Group Limited for the year ended 30 June 2018 is attached.

## 12. SIGNED

Date: 30 August 2018

Garry Crole
Chairman
Melbourne

# Sequoia Financial Group Limited

ABN 90 091 744 884

# Annual Report

30 JUNE 2018

sequoia FINANCIAL GROUP

# CONTENTS



August 30, 2018

Financial Year 2018 was one of strong growth and progress for Sequoia, and a period in which we continued our track record of organic growth and acquiring quality businesses that deliver greater scale, product diversity, and accretive earnings.

This is my first year as Sequoia's Executive Chairman and I am pleased to be leading a quality team and a Company that has a solid earnings profile, growing revenue streams, a great portfolio of products and brands that have considerable potential. We now have a well-established and strong platform for continued growth.

**Acquiring Quality Businesses to Deliver Scale**

In Financial Year 2018, Sequoia again completed quality acquisitions and equity investments. Most certainly, the highlight was completing the 100% acquisition of InterPrac Group Ltd (Interprac), a business that is highly complementary to Sequoia's operations. InterPrac is substantially similar to a number of Sequoia's operating divisions and is delivering additional scale in SMSF Administration, Wealth Advisory and Investment Solutions.

In September 2017, Sequoia also announced its decision to acquire Morrison Securities Pty Limited (Morrison), a well-established Australian online stockbroking business that is complementary to Sequoia's existing stockbroking business. The acquisition has strengthened Sequoia's trading and execution capabilities, giving the Company the ability to clear and settle trades internally.  Subsequent to this acquisition, we have migrated our D2MX Pty Ltd clients to the Morrison platform broadening the Morrison client base and expanding the service offering.

We also took the decision to acquire 100% of Finance TV Pty Ltd (trading as Financial News Network (FNN)) as we see its business platform as a key strategic asset for Sequoia with considerable organic growth potential.

**A Strong Financial Performance**

All of Sequoia's key financial metrics for the year were strong. Revenue increased over 100% to $76.0 million, earnings before interest, tax, depreciation and amortisation (EBITDA) was solid at $4.3 million, net profit after tax (NPAT) was $2.4 million, a 226% increase on the prior year.

Most pleasingly was cash from operations reaching $8.9 million.

As a result, Sequoia will pay a dividend of 0.5 cents per share, which is a modest payout ratio of around 20% of  NPAT or less than 10% of cash flow from operating activities.

On the cash front, Sequoia ended the year with cash and cash equivalents of $19.0 million increasing from $6.1 million at the beginning of the year. This underpins our balance sheet and gives us the necessary financial flexibility to drive solid organic growth in the 2019 financial year.

**Well Placed for Continued Growth in 2019**

Sequoia enters 2019 in excellent shape with a strong Board, leadership team and a clear plan for growth.

As we take this next step in the Company's evolution, I would like to acknowledge the support on my fellow Board members, which was strengthened upon the appointment of John Larsen in February and his more than 30 years of financial services sector experience is proving most invaluable to the Company.

I would like to take this opportunity to thank our Board, senior management and all staff for their hard work and commitment this year and our shareholders for their ongoing support. I can assure you, the Board and Management team is working hard to realise Sequoia's true value and establish the Company as a trusted, dependable and well recognised Australian financial services business.

Garry Crole
Executive Chairman

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 year ended 30 June 2018.

## DIRECTORS

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

| | |
|---|---|
| Scott Lionel Beeton | Managing Director |
| Garry Peter Crole | Non-Executive Director to 1 December 2017<br>Executive Director from 1 December 2017<br>Chairman from 8 June 2018 |
| John Larsen (appointed 2 February 2018) | Non-Executive Director |
| Marcel John Collignon (resigned 17 October 2017) | Former Executive Director |
| Michael Kenneth Carter (resigned 8 June 2018) | Former Non-Executive Chairman |

## PRINCIPAL ACTIVITIES

The Group's principal activities offer diversified financial products, including but not limited to investment and superannuation products, wealth management services and retail, wholesale and institutional trading platforms and administrative functions to support accountants and other related entities.

## DIVIDENDS

On 30 August 2018, the Company declared an ordinary fully franked dividend for the second half of the year ended 30 June 2018 (2018 Final Dividend) of 0.5 cents per share. The final dividend is to be paid on 25 October 2018. The record date for the final dividend is 11 October 2018.

## REVIEW OF OPERATIONS

The profit for the Group after providing for income tax and non-controlling interest amounted to $2,310,985 (30 June 2017: $709,799).

The operating profit for the Group amounted to $4,332,887 (30 June 2017: $1,487,427).

***Segments results***

*Sequoia Equity Markets Group*

During the year Sequoia purchased Morrison Securities Pty Ltd (Morrison) to allow the group to transition from provision of execution only services to an execution, settlement and clearing provider.

The company then committed its most senior skill set and technological resources available in to this major company project. The heavy investment in to this project will allow the business to increase distribution and depth to the Sequoia service offering. We are pleased to advise ASX approved operational readiness for Morrison and the novation of client arrangements from D2MX and its external clearer in August, with management achieving the expected outcome of the purchase intention.

The divisions overall performance was strong despite heavy investment and includes the structured investments business which saw continued growth and net deferred movement continuing to have a positive impact. As a result the Sequoia Equity Markets Group experienced strong revenue growth during the year (FY2018: $45,771,151; FY2017 $24,157,726).

*Sequoia Wealth Group*
The Sequoia Wealth Division is a top performer for the Sequoia group of companies. The year on year performance jump has mainly resulted from the purchase of Interprac Ltd and the underlying subsidiary Interprac Financial Planning Pty Ltd. This division is experiencing growth due to a number of regulation and market opportunities that is seeing the industry move to licensees like the ones this division owns. The Sequoia Corporate Finance business signed numerous exclusive mandates and expanded the size of the team which increased both corporate advisory volume results and distribution scope.

These changes had a positive impact to performance in the current year (FY2018:$2,703,521; FY2017:$254,833).

*Sequoia Professional Services Group*
The Sequoia Professional Services Group division provides professional services to accountants, financial planners and SMSF trustees. The division is highly complementary to the Group given our increasing distribution partners and the ability to horizontally distribute the service offering to related entities. Sequoia Professional Services also integrated well into the pre-existing Sequoia offerings were we have been able to vertically integrate the service solutions. This professional service offering has allowed the Group to offer more services to the existing and acquired Group client base. These changes have started to reflect in the financial results for June 2018 (profit FY2018: $1,188,701). Sequoia Professional Services is highly complementary service offering to the wider group, which will be a focus of upcoming reporting periods. Some of our underlying product offerings include; general insurance specialising in professional indemnity insurance schemes for accountants, legal document establishment and an outsourced solution for superannuation administration and tax.

*Sequoia Direct Investments Group*
Sequoia Direct Investments Group has improved revenue (FY2018 $5,100,571; FY2017 $4,103,506) and profit performance (FY2018 $944,050; FY2017 $357,370). The group completed a major project in the period which was the investment in our Fintech business Bourse Data Pty Ltd where we released enhanced state-of the art-software allowing users to have a cross platform advantage. The new software solution has been rolled out to our execution wholesale parties and our software clients with pleasing results. The software solution, did take longer than expected, with the impact to the bottom line coming through in the last couple months of the financial year. We will commence white-label solutions for our clients following this roll-out. This improvement in both revenue and margin performance is expected to continue into the new financial year. In the year the Company also made the decision to increase their ownership in Finance TV Australia Pty Ltd, trading as Financial News Network (FNN), to enable it to have full control and influence over the marketing company within the Group. The division also includes our general and no advice licences and retail execution clients. The services within this division are to commence cross-collaboration, which should increase brand profile and awareness within the market place.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 27 July 2017, Marika White resigned as Company Secretary and Tharun Kuppanda was appointed as Company Secretary. Subsequent to the year end, Tharun resigned as company secretary. Refer matters subsequent to the year-end below for details.

On 18 August 2017, Computershare Investor Services Pty Limited ceased as the Company's registry provider and Registry Direct was appointed service provider and commenced on 21 August 2017.

In September 2017, the Company raised $3,093,520 through capital raising in order to facilitate the business acquisition of Morrison Securities Pty Ltd.

On 18 September 2017, the Group purchased 100% of the shares in Morrison Securities Pty Ltd. This is a well-established online stockbroking business that is highly complementary to Sequoia's existing stockbroking businesses and operates in the Trading and Execution division of the Group.

On 30 November 2017, Hall Chadwick resigned as auditor of the Group and William Buck Audit was appointed following shareholder approval at the Annual General Meeting on that date.

On 1 December 2017, the Group purchased 100% of the shares in Interprac Ltd. Interprac supports accounting firms and provides a range of value added substantially similar financial services in the following areas: InterPrac financial planning, Australian Financial Service Licence (AFSL) dealer services, investment referral, insurance and finance services, legal documentation and self-managed super fund (SMSF) administration and the management of the National tax and Accountants' Association corporate business (which provide accountancy practices with solutions to established companies, trusts and new superannuation funds on behalf of their clients).

On 1 December 2017, the Group entered into a new Sydney lease with a term of 3 years and 10 months.

On 1 December 2017, following shareholder approval at the AGM, the Company issued 1,750,000 options to ACN 139 919 305 Pty Ltd under the terms and conditions of the ACN Share Option Deed.

On 1 December 2017, following shareholder approval at the AGM, the Company issued 1,750,000 options to Factotum Capital Pty Ltd under the terms and conditions of the Factotum Share Option Deed.

On 16 January 2018, the Group increased its shareholding in Finance TV Pty Ltd to 77.07% from a holding of 53.95% at 30 June 2017.

On 17 May 2018, the Group increased its holding in FNN to 100%.

On 26 February 2018, the Group entered into an operating lease for premises at 525 Flinders Street, Melbourne. The lease is for a term of 7 years with a 3 year option to extend and has an escalation clause. On renewal, the terms of the leases are renegotiated.

*Restatement of comparatives*
After consultation with the Group's previous auditor, Hall Chadwick, and the Group's new auditor, William Buck, the prior period comparative figures in the statement of profit or loss and other comprehensive income have been restated to reflect a different accounting treatment of deferred revenue and deferred hedging expenses recognised on the business

of Investment Solutions operated through Sequoia Specialist Investment Pty Ltd. The figures are now presented gross in revenue and hedging expenses and, as a result, decreased revenue and expenses but had no impact on the reported profit of the Group, net cash from operating activities and net assets in the comparative periods. Refer to restatement of comparatives in the notes to the financial statements section for further details.

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 20 July 2018, the Company announced a successful bookbuild raising $5,000,000 of new fully paid ordinary shares. The placement was strongly supported by both existing and new institutional and sophisticated investors where the Company has received commitments for 15,151,515 new shares in the Company at $0.33 per share. The proceeds of the placement will be used to enhance the Company's financial position to support ASX clearing activities and to reduce short-term debt. Refer to ASX announcement for further information.

On 7 August 2018, Tharun Kuppanda resigned as Company Secretary and Hasaka Martin was appointed as Company Secretary.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2018 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.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group does not expect any major developments changes or variation to results if the Group were to continue as normal. However major variation would be expected to revenue and the expected results if shareholders approve any acquisition proposed by the directors.

## ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## INFORMATION ON DIRECTORS

**Name:** Scott Lionel Beeton

**Title:** Managing Director

**Experience and expertise:** Scott has 17 years' experience in the finance industry working in a variety of roles across Superannuation, funds management, investment management, stockbroking, AFSL dealer services and advice. Scott was appointed Managing Director of SEQ in December 2014, following the approval for SEQ to acquire Sequoia Financial Group and became CEO for the newly formed Group. Scott is co-founder of Sequoia and has developed the capabilities of the various Sequoia businesses. Scott has a Bachelor of Business from Newcastle University.

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Special responsibilities:** Member of Audit Committee, Remuneration and Nomination Committee and Risk and Compliance Committee

**Interests in shares:** 9,183,358 ordinary shares (indirectly held)

**Interests in options:** 2,000,000 options over ordinary shares (unlisted)

**Interests in rights:** None

**Name:** Garry Peter Crole

**Title:** Executive Director and Chairman

**Experience and expertise:** Garry is a highly experienced and well regarded Financial Services Executive. He founded Deakin Financial Planning, an ASX listed company that was later acquired by IOOF. In more recent years, Garry started Interprac Financial Planning Pty Ltd, which is a leading independently owned Australian Financial Services Licensee.

**Other current directorships:** Non-Executive Director of Glennon Small Companies Limited (ASX: GC1)

**Former directorships (last 3 years):** Non-Executive Director of Diversa Ltd (ASX: DVA) which merged with OneVue Ltd (ASX: OVH)

**Special responsibilities:** Chair of Risk and Compliance Committee and member of Audit Committee and Remuneration and Nomination Committee

**Interests in shares:** 10,613,500 ordinary shares (directly held) and 788,000 ordinary shares (indirectly held)

**Interests in options:** None

**Interests in rights:** None

**Name:** John Larsen

**Title:** Non-Executive Director (appointed 2 February 2018)

**Experience and expertise:** John brings in excess of 30 years' experience in financial services to the Company, including senior management positions and directorships across various businesses licensed to provide financial services including funds management and stock broking. John has significant experience in the management of private portfolios and individually managed accounts. He was also the Chairman of Odyssey Funds Management between 2002 and 2009, part of the investment committee responsible for ASX listed, Huntley Investment Company Limited, between 2006 and 2008 and previously held the position of Group Investment Manager at ING (then Mercantile Mutual Group) retaining responsibility for the entire Australian investments portfolio with over $500 million of funds under management.

**Other current directorships:** Non-Executive Director of Glennon Small Companies Limited (ASX: GC1)

**Former directorships (last 3 years):** None

**Special responsibilities:** Chair of Audit Committee and Remuneration and Nomination Committee and member of Risk and Compliance Committee

**Interests in shares:** 100,000 ordinary shares (directly held) and 200,000 ordinary shares (indirectly held)

**Interests in options:** None

**Interests in rights:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## COMPANY SECRETARY

Mr Hasaka Martin was appointed Company Secretary on 7 August 2018. He is employed by Boardroom Pty Ltd in their Corporate Secretarial Services Division in Melbourne. He holds a Masters of Commercial Law, a Graduate Diploma of Corporate and Securities Law, Banking, Corporate, Finance and Securities Law, a Graduate Diploma in Applied Corporate Governance, a PhD in Biochemistry and Molecular Biology and a B.Ag.Sc (hons) in Molecular Biology and Biochemistry.

Mr Tharun Kuppanda was appointed Company Secretary on 27 July 2017 and resigned on 7 August 2018. He is employed by Boardroom Pty Ltd in their Corporate Secretarial Services Division in Sydney. He holds a Bachelor of Business and a Bachelor of Laws.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | | Remuneration and Nomination Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| SL Beeton | 11 | 13 | 1 | 1 | 5 | 6 |
| GP Crole | 13 | 13 | 3 | 3 | 6 | 6 |
| J Larsen | 6 | 6 | 1 | 1 | 2 | 2 |
| MJ Collignon | 4 | 4 | 1 | 1 | - | - |
| MK Carter | 12 | 12 | 2 | 2 | 5 | 5 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

## REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board of Directors, through its Remuneration and Nomination Committee, accepts responsibility for determining and reviewing remuneration arrangements for the directors and the senior management team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*
Fees and payments to non-executive directors reflect the demands which are made of the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The constitution of the Company provides that the non-executive directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The most recent determination was at the Annual General Meeting held on 15 December 2006 where the shareholders approved an aggregate remuneration of $200,000.

*Senior management and executive director remuneration*
Executive remuneration comprises:

- Fixed remuneration component
- Variable remuneration component including short-term incentive (STI) and long-term incentive (LTI)
- An Employee Share Option Plan was approved at a meeting of shareholders on the 27 November 2015 (LTI)

*Fixed remuneration*
Fixed remuneration consists of base remuneration as well as employer contributions to superannuation. Remuneration levels are reviewed annually through a process that considers individual performance and that of the overall Group.

*Variable remuneration – short term incentive (STI)*
STIs are available to executives who achieve performance criteria including compliance. The Board is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements.

*Variable remuneration – long term incentive (LTI)*
The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

*Sequoia Employee Incentive Plan ('SEIP')*
On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan ('SEIP') to offer options and performance rights to certain employees employed in the Company.

Options

All options offered under the December 2017 grant were granted for nil consideration and had a $0.45 exercise price.

Options vest in two tranches:

| Tranche | Vesting date |
|---|---|
| Tranche 1 | 30 June 2018 |
| Tranche 2 | 30 June 2019 |

The vesting conditions of the options granted under the December 2017 grant are:

- Tranche 1 - full time employee of the Company and net profit after tax exceeding the 30 June 2017 result; and
- Tranche 2 - full time employee of the Company and net profit after tax exceeding the 30 June 2018 result.

All option tranches expire on 31 December 2019.

The 2,000,000 options issued on 1 December 2017 with a strike price of $0.45 per share relate to Scott Beeton and incur a performance conditions that NPAT must exceed 30 June 2017 and 30 June 2018 results.

Performance rights

All performance rights offered under the February 2017 grant were granted for nil consideration and had a nil exercise price.

Performance rights vest in three tranches:

| Tranche | Vesting date |
|---|---|
| Tranche 1 | 31 January 2018 |
| Tranche 2 | 31 January 2019 |
| Tranche 3 | 31 January 2020 |

The vesting conditions of the performance rights granted under the February 2017 grant are:

- 50% of each tranche where the employee meets the service condition; and
- 50% of each tranche where the employee meets the service condition and the Company meets the performance conditions.

All performance rights tranches expire on 31 January 2022.

The service conditions are that Tranche 1, Tranche 2 and Tranche 3 will vest if continuous employment is maintained with the Company from the date the performance rights are granted until their respective vesting dates.

The performance conditions are related to share price hurdles as follows:

- Tranche 1 will vest if the Company's 90 Day VWAP up to and including 31 January 2018 is at least $0.25.
- Tranche 2 will vest if the Company's 90 Day VWAP up to and including 31 January 2019 is at least $0.30.
- Tranche 3 will vest if the Company's 90 Day VWAP up to and including 31 January 2020 is at least $0.35.

Any performance rights which meet the vesting conditions above will be available for exercise up until the expiry date. On exercise of vested performance rights Company shares may be acquired and held by an Employee Share Trust ('EST') to be established for the purpose of settlement. Shares may be held subject to the EST and the Company's Securities Trading Policy.

If the Company provide an EST, the employee can apply to the Trustee to have their shares transferred or sold from the EST, subject to compliance with the Company's Securities Trading Policy.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last four years.

*Use of remuneration consultants*
During the financial year ended 30 June 2018, the Group did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations.

*Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')*
At the 30 November 2017 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***
The key management personnel of the Group consisted of the following directors of Sequoia Financial Group Limited:

- Scott Lionel Beeton - Managing Director
- Garry Peter Crole - Executive Director and Chairman
- John Larsen - Non-Executive Director (appointed 2 February 2018)
- Marcel John Collignon - Former Executive Director (resigned 17 October 2017)
- Michael Kenneth Carter - Former Non-Executive Chairman (resigned 8 June 2018)

And the following person:

- Renee Louise Minchin - Chief Financial Officer

*Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables:

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **30 Jun 2018** | **Cash salary and fees $** | **Cash bonus $** | **Non-monetary $** | **Super-annuation $** | **Leave benefits $** | **Equity-settled $** | **Total $** |
| Non-Executive Directors: | | | | | | | |
| J Larsen** | 15,221 | - | - | 1,446 | - | - | 16,667 |
| MK Carter* | 126,374 | - | - | 12,005 | - | - | 138,379 |
| Executive Directors: | | | | | | | |
| SL Beeton | 314,948 | 60,000 | - | 19,835 | - | 14,867 | 409,650 |
| GP Crole | 160,235 | - | - | 12,565 | - | - | 172,800 |
| MJ Collignon* | 139,366 | - | - | 6,684 | - | - | 146,050 |
| Other Key Management Personnel: | | | | | | | |
| RL Minchin | 164,384 | 13,699 | - | 16,918 | - | 18,000 | 213,001 |
| | 920,528 | 73,699 | - | 69,453 | - | 32,867 | 1,096,547 |

* Remuneration is for the period from 1 July 2017 to date of resignation as a key management personnel.

** Remuneration is for the period from date of appointment as a key management personnel to 30 June 2018

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **30 Jun 2017** | **Cash salary and fees $** | **Cash bonus $** | **Non-monetary $** | **Super-annuation $** | **Leave benefits $** | **Equity-settled $** | **Total $** |
| Non-Executive Directors: | | | | | | | |
| MK Carter | 119,488 | - | - | 10,409 | - | - | 129,897 |
| GP Crole** | 13,532 | - | - | 1,286 | - | - | 14,818 |
| Executive Directors: | | | | | | | |
| SL Beeton | 276,080 | 40,000 | - | 19,594 | - | - | 335,674 |
| MJ Collignon | 246,801 | 40,000 | - | 19,547 | - | - | 306,348 |
| Other Key Management Personnel: | | | | | | | |
| RL Minchin | 161,986 | - | - | 15,389 | - | - | 177,375 |
| AG Phillips* | 28,000 | - | - | - | - | - | 28,000 |
| | 845,887 | 80,000 | - | 66,225 | - | - | 992,112 |

* Remuneration is for the period from 1 July 2016 to date of resignation as a key management personnel.

** Remuneration is for the period from date of appointment as a key management personnel to 30 June 2017

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration 30 Jun 2018 | Fixed remuneration 30 Jun 2017 | At risk - STI 30 Jun 2018 | At risk - STI 30 Jun 2017 | At risk - LTI 30 Jun 2018 | At risk - LTI 30 Jun 2017 |
|---|---|---|---|---|---|---|
| Non-Executive Directors: | | | | | | |
| J Larsen | 100% | - | - | - | - | - |
| MK Carter | 100% | 100% | - | - | - | - |
| Executive Directors: | | | | | | |
| SL Beeton | 81% | 100% | 15% | - | 4% | - |
| GP Crole | 100% | 100% | - | - | - | - |
| MJ Collignon | 100% | 100% | - | - | - | - |
| Other Key Management Personnel: | | | | | | |
| RL Minchin | 86% | 100% | 6% | - | 8% | - |
| AG Phillips | - | 100% | - | - | - | - |

***Service agreements***
Where contracts have been established, employment terms and conditions of key management personnel and Group executives are formalised in standard contracts of employment. All contracts are for no fixed term with one to three months' notice required for termination by either party.

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

*Options*
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|---|---|
| SL Beeton | 2,000,000 | 1 Dec 2017 | Various | 31 Dec 2019 | $0.450 | $0.0099 |

Options granted carry no dividend or voting rights.

*Performance rights*
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Vesting date and exercisable date | Expiry date | Share pricehurdle for vesting* | Fair value per right at grant date |
|---|---|---|---|---|
| 1 Feb 2017 | 31 Jan 2018 | 31 Jan 2022 | $0.000 | $0.3200 |

* Refer to note 34 for VWAP requirements which are required to be met in order for shares to vest.

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting* | Fair value per right at grant date |
|---|---|---|---|---|---|---|
| Renee Minchin | 150,000 | 1 Feb 2017 | 31 Jan 2018 | 31 Jan 2022 | $0.000 | $0.3200 |

* Refer to note 34 for VWAP requirements which are required to be met in order for shares to vest.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

| Name | Number of rights granted during the year 30 Jun 2018 | Number of rights granted during the year 30 Jun 2017 | Number of rights vested during the year 30 Jun 2018 | Number of rights vested during the year 30 Jun 2017 |
|---|---|---|---|---|
| Renee Minchin | - | 150,000 | 60,000 | - |

All performance rights under the 1 February 2017 grant were granted for nil consideration and had a nil exercise price.

***Additional information***

The earnings of the Group for the five years to 30 June 2018 are summarised below:

| | 2018 $ | 2017 $ | 2016 $ | 2015 $ | 2014 $ |
|---|---|---|---|---|---|
| Sales revenue | 75,674,127 | 35,075,151 | 22,980,597 | 21,406,293 | 19,509,124 |
| Profit/(loss) after income tax | 2,369,718 | 725,573 | 285,733 | (17,974,212) | 345,892 |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 0.340 | 0.320 | 0.200 | 0.100 | 0.200 |

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| SL Beeton*** | 11,658,560 | - | 62,503 | (2,537,705) | 9,183,358 |
| GP Crole*** | 940,000 | - | 10,461,500 | - | 11,401,500 |
| J Larsen* | - | - | 300,000 | - | 300,000 |
| MJ Collignon** | 4,129,824 | - | - | (4,129,824) | - |
| MK Carter** | 525,000 | - | - | (525,000) | - |
| RL Minchin | 242,647 | 60,000 | - | - | 302,647 |
| | 17,496,031 | 60,000 | 10,824,003 | (7,192,529) | 21,187,505 |

* Additions represents holding at date of becoming a key management personnel, not necessarily an addition of holding during the year.

** Disposals/other represents no longer a key management personnel, not necessarily a disposal of holding.

*** Additions and disposals arose from on-market purchases and sales.

Additions above arose from on-market purchases.

*Option holding*
The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Options over ordinary shares | | | | | |
| SL Beeton | - | 2,000,000 | - | - | 2,000,000 |
| | - | 2,000,000 | - | - | 2,000,000 |

*Performance rights holding*
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Performance rights over ordinary shares | | | | | |
| RL Minchin | 150,000 | - | (60,000) | - | 90,000 |
| | 150,000 | - | (60,000) | - | 90,000 |

This concludes the remuneration report, which has been audited.

## SHARES UNDER OPTION

Unissued ordinary shares of Sequoia Financial Group Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 01 December 2017 | 31 July 2019 | $0.350 | 3,500,000 |
| 01 December 2017 | 31 December 2019 | $0.450 | 2,000,000 |
| | | | 5,500,000 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

## SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Sequoia Financial Group Limited under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Number under rights |
|---|---|---|
| 1 February 2017 | 31 January 2022 | 340,000 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Sequoia Financial Group Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

## SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

The following ordinary shares of Sequoia Financial Group Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

| Date performance rights granted | Share price as at date of exercise | Number of shares issued |
|---|---|---|
| 1 February 2017 | $0.300 | 160,000 |

## INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## 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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Garry Crole
Chairman

30 August 2018
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 year ended 30 June 2018 there have been:

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

William Buck

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

**J. C. Luckins**
Director
Dated this 30th day of August, 2018

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

| | Note | Consolidated 30 June 2018 $ | 30 June 2017 $ Restated |
|---|---|---|---|
| **Revenue** | 6 | 75,674,127 | 35,075,151 |
| **Expenses** | | | |
| Data fees | | (1,806,693) | (1,641,570) |
| Dealing and settlement | | (16,885,741) | (10,562,208) |
| Commission and hedging | | (38,731,824) | (11,915,317) |
| Employee benefits | 7 | (9,259,008) | (6,598,190) |
| Occupancy | | (938,733) | (482,232) |
| Telecommunications | | (636,949) | (439,503) |
| Marketing | | (421,999) | (342,672) |
| General and administrative | | (2,660,293) | (1,606,032) |
| **Operating profit** | | 4,332,887 | 1,487,427 |
| Interest revenue | | 99,111 | 9,309 |
| Depreciation and amortisation | | (473,888) | (228,176) |
| Impairment of assets | | (222) | (6,945) |
| Finance costs | | (499,717) | (225,193) |
| **Profit before income tax expense** | | 3,458,171 | 1,036,422 |
| Income tax expense | 8 | (1,088,453) | (310,849) |
| **Profit after income tax expense for the year** | | 2,369,718 | 725,573 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of available-for-sale financial assets, net of tax | | 289,530 | 120,853 |
| Other comprehensive income for the year, net of tax | | 289,530 | 120,853 |
| **Total comprehensive income for the year** | | 2,659,248 | 846,426 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 58,733 | 15,774 |
| Owners of Sequoia Financial Group Limited | | 2,310,985 | 709,799 |
| | | 2,369,718 | 725,573 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | 58,733 | 15,774 |
| Owners of Sequoia Financial Group Limited | | 2,600,515 | 830,652 |
| | | 2,659,248 | 846,426 |
| | | Cents | Cents |
| Basic earnings per share | 33 | 2.800 | 1.455 |
| Diluted earnings per share | 33 | 2.676 | 1.385 |

Refer to note 4 for detailed information on Restatement of comparatives.

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

| | Note | Consolidated 30 June 2018 $ | Consolidated 30 June 2017 $ |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | | 19,031,987 | 6,177,418 |
| Trade and other receivables | 9 | 7,088,606 | 1,621,161 |
| Inventories | | 18,547 | - |
| Financial assets | 10 | 1,494,444 | 26,460 |
| Derivative financial instruments | 11 | 13,924,686 | 5,976,249 |
| Deferred costs | 12 | 9,211,254 | 7,500,455 |
| Deposits | | 1,306,000 | 1,300,000 |
| Prepayments | | 586,958 | 132,244 |
| Total current assets | | 52,662,482 | 22,733,987 |
| **Non-current assets** | | | |
| Derivative financial instruments | 11 | 17,438,251 | 19,335,325 |
| Financial assets | 13 | 1,944,646 | 1,399,115 |
| Plant and equipment | | 2,291,997 | 268,050 |
| Intangibles | 14 | 21,322,703 | 8,719,122 |
| Deferred tax | 8 | 8,394,867 | 5,718,881 |
| Deferred costs | 12 | 9,707,879 | 6,715,907 |
| Other assets | | 779,440 | 216,892 |
| Total non-current assets | | 61,879,783 | 42,373,292 |
| **Total assets** | | 114,542,265 | 65,107,279 |

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

| | Note | Consolidated 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 13,573,154 | 4,423,857 |
| Borrowings | 16 | 6,680,717 | 273,307 |
| Derivative financial instruments | 11 | 13,924,686 | 5,976,249 |
| Income tax payable | 8 | 1,439,605 | 849,695 |
| Employee benefits | | 645,768 | 457,323 |
| Provisions | | 643,582 | - |
| Deferred revenue | 12 | 11,748,491 | 8,935,131 |
| Other | | 100,000 | - |
| Total current liabilities | | 48,756,003 | 20,915,562 |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 719,506 | 1,427,868 |
| Derivative financial instruments | 11 | 17,438,251 | 19,335,325 |
| Deferred tax | 8 | 6,141,711 | 4,537,561 |
| Employee benefits | | 76,604 | 30,643 |
| Deferred revenue | 12 | 13,646,018 | 8,658,240 |
| Total non-current liabilities | | 38,022,090 | 33,989,637 |
| **Total liabilities** | | 86,778,093 | 54,905,199 |
| **Net assets** | | 27,764,172 | 10,202,080 |
| **Equity** | | | |
| Issued capital | 18 | 42,788,182 | 26,724,112 |
| Reserves | 19 | 816,899 | 408,335 |
| Accumulated losses | | (15,840,909) | (17,005,876) |
| Equity attributable to the owners of Sequoia Financial Group Limited | | 27,764,172 | 10,126,571 |
| Non-controlling interest | | - | 75,509 |
| **Total equity** | | 27,764,172 | 10,202,080 |

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

| Consolidated | Issued capital $ | Available-for-sale reserve $ | Share-based payments reserve $ | Accumulated losses $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | 26,724,112 | 177,098 | - | (17,670,141) | 64,201 | 9,295,270 |
| Profit after income tax expense for the year | - | - | - | 709,799 | 15,774 | 725,573 |
| Other comprehensive income for the year, net of tax | - | 120,853 | - | - | - | 120,853 |
| Total comprehensive income for the year | - | 120,853 | - | 709,799 | 15,774 | 846,426 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments | - | - | 110,384 | - | - | 110,384 |
| Acquisition of non-controlling interest | - | - | - | (45,534) | (4,466) | (50,000) |
| Balance at 30 June 2017 | 26,724,112 | 297,951 | 110,384 | (17,005,876) | 75,509 | 10,202,080 |

| Consolidated | Issued capital $ | Available-for-sale reserve $ | Share-based payments reserve $ | Accumulated losses $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2017 | 26,724,112 | 297,951 | 110,384 | (17,005,876) | 75,509 | 10,202,080 |
| Profit after income tax expense for the year | - | - | - | 2,310,985 | 58,733 | 2,369,718 |
| Other comprehensive income for the year, net of tax | - | 289,530 | - | - | - | 289,530 |
| Total comprehensive income for the year | - | 289,530 | - | 2,310,985 | 58,733 | 2,659,248 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Contributions of equity, net of transaction costs (note 18) | 16,064,070 | - | - | - | - | 16,064,070 |
| Share-based payments (note 34) | - | - | 119,034 | - | - | 119,034 |
| Acquisition of non-controlling interest | - | - | - | (1,146,018) | (134,242) | (1,280,260) |
| Balance at 30 June 2018 | 42,788,182 | 587,481 | 229,418 | (15,840,909) | - | 27,764,172 |

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

| | Note | Consolidated 30 June 2018 $ | Consolidated 30 June 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 78,977,716 | 49,594,025 |
| Payments to suppliers and employees (inclusive of GST) | | (69,385,242) | (43,562,468) |
| | | 9,592,474 | 6,031,557 |
| Interest received | | 99,111 | 9,309 |
| Interest and other finance costs paid | | (499,717) | (225,193) |
| Income taxes refunded | | - | 22,192 |
| Income taxes paid | | (320,485) | - |
| Net cash from operating activities | 31 | 8,871,383 | 5,837,865 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 29 | (771,845) | - |
| Payments for purchase of additional equity in subsidiaries | | (1,280,260) | (50,000) |
| Payments for investments | | (296,664) | - |
| Payments for plant and equipment | | (1,175,937) | (229,020) |
| Payments for intangibles | 14 | (716,128) | - |
| Payments for bonds, guarantees and other assets | | (568,548) | (301,240) |
| Proceeds from disposal of financial assets | | - | 465,807 |
| Net cash used in investing activities | | (4,809,382) | (114,453) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares, net of transaction costs | | 3,093,520 | - |
| Proceeds from borrowings | | 5,999,048 | 1,001,175 |
| Repayment of convertible notes | | (300,000) | (1,360,000) |
| Net cash from/(used in) financing activities | | 8,792,568 | (358,825) |
| Net increase in cash and cash equivalents | | 12,854,569 | 5,364,587 |
| Cash and cash equivalents at the beginning of the financial year | | 6,177,418 | 812,831 |
| Cash and cash equivalents at the end of the financial year | | 19,031,987 | 6,177,418 |

The above consolidated 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 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 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 30 August 2018. The directors have the power to amend and reissue the financial statements.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

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

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sequoia Financial Group Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

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

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

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

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

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

### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Rendering of services*
Revenue from the provision of services to customers is recognised upon delivery of the service to the customer. Revenue received that relates to the provision for future services is accounted for as deferred income.

*Structured revenue*
Structured product revenue is recognised when revenue is considered earned. The revenue is considered earnt when the total revenue is divided by the product life, the revenue is then recognised on a straight line basis over the investment term.

*Commissions and fee income*
When the consolidated entity acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the consolidated entity.

Commission and fee income is recognised as related services are performed. Where commissions and fees are subject to clawback or meeting certain performance hurdles, they are recognised as income at the point when those conditions can no longer affect the outcome.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

*Deferred costs and deferred revenue*
Deferred costs relates to hedging costs and deferred revenue relate to sales. The costs and revenue are deferred due to recognition requirements where the revenue and cost is spread over the product life.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation, based upon the maturity date set in the underlying derivative agreement.

*Fair value hedges*

Fair value hedges are used to cover the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion thereof, that is attributable to a particular risk and could affect profit or loss. The hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to profit or loss.

Fair value hedge accounting is discontinued if the hedging instrument is sold, terminated, expires, exercised, it no longer meets the criteria for hedge accounting or designation is revoked. Any adjustment to the carrying amount of a hedged financial instrument is amortised to profit or loss using the effective interest rate method. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

*Impairment of financial assets*
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

### Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**Plant and equipment**
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | Over the term of the lease |
| Plant and equipment | 3 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Website*

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

*Customer list*

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, 5 to 10 years.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Regulator memberships and licences*
Costs in relation to regulatory memberships and licences are capitalised as an asset. These costs are not subsequently amortised but reviewed annually for impairment.

### Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee benefits

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options over shares or performance rights, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Sequoia Financial Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

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

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

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

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 139 'Financial Instruments: Recognition and Measurement'. The Group will apply the new rules retrospectively from 1 July 2018. It will adopt the practical expedients permitted under the standard, meaning that comparatives for the year ended 30 June 2018 will not be restated.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). The requirement to measure all other financial assets at fair value applies to unlisted equity instruments, which, under AASB 139, could be measured at cost.

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the Group, being limited to changes in disclosure.

*AASB 15 Revenue from Contracts with Customers*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition, the core principle of which is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard requires:

- contracts (either written, verbal or implied) to be identified;
- the identification of the separate performance obligations within the contract;
- determination of the transaction price, adjusted for the time value of money excluding credit risk;
- allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and
- recognition of revenue when each performance obligation is satisfied.

For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, these would usually be recognised on a straight-line basis, unless a more appropriate measure can be identified. Deferred revenue will be recognised in Sequoia's statement of financial position as a contract liability. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers, the significant judgements made in applying the guidance to those contracts, and any assets recognised from the costs to obtain or fulfil a contract with a customer.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the year, the Group has engaged a specialist to assess the impact of AASB 15 and the existing policy of deferring revenues and costs as it applies to all of the material revenue streams of the Group. From this analysis, the Group has reached a preliminary conclusion that none of its revenue streams have a material exposure to AASB 15.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 and it is expected that the operating and lease commitments identified in note 26 will be required to be included in the consolidated statement of financial position when the standard becomes effective.

*IASB revised Conceptual Framework for Financial Reporting*

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Goodwill and other indefinite life intangible assets*
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Other significant estimates*
Other significant estimates include:

- fair value assessment of derivatives and investments (refer to note 22);
- fair value on business combinations including assessment of purchase consideration (refer to note 29); and
- fair value assessment relating to share-based payments (refer to note 34).

## NOTE 4. RESTATEMENT OF COMPARATIVES

*Correction of error*
On 21 December 2017, the Group announced on the Australian Securities Exchange that the financial statements for the year ended 30 June 2017 contained an error arising from the treatment of deferred revenue and deferred costs of Sequoia Specialist Investment Pty Ltd ('SSI') products. The SSI revenue was overstated by $9,280,486 and the SSI commission and hedging costs were overstated by the same amount at 30 June 2017. The error has been corrected by restating each of the affected financial statement line items for the prior period as follows. The correction has only impacted the revenue and expense amounts and has no impact on the other financial statement line items including the Group's net profit after tax and net assets previously reported in 30 June 2017 financial statements.

As the error affects the comparatives in this Annual Report, the effect of the restatement at 30 June 2017 is disclosed below.

## NOTE 4. RESTATEMENT OF COMPARATIVES (CONTINUED

*Statement of profit or loss and other comprehensive income*

| | Consolidated | | |
|---|---|---|---|
| | 30 Jun 2017 $ Reported | $ Adjustment | 30 Jun 2017 $ Restated |
| **Revenue** | 44,355,637 | (9,280,486) | 35,075,151 |
| **Expenses** | | | |
| Data fees | (1,641,570) | - | (1,641,570) |
| Dealing and settlement | (10,562,208) | - | (10,562,208) |
| Commission and hedging | (21,195,803) | 9,280,486 | (11,915,317) |
| Employee benefits | (6,598,190) | - | (6,598,190) |
| Occupancy | (482,232) | - | (482,232) |
| Telecommunications | (439,503) | - | (439,503) |
| Marketing | (342,672) | - | (342,672) |
| General and administrative | (1,606,032) | - | (1,606,032) |
| **Operating profit** | 1,487,427 | - | 1,487,427 |
| Interest revenue | 9,309 | - | 9,309 |
| Depreciation and amortisation | (228,176) | - | (228,176) |
| Impairment of assets | (6,945) | - | (6,945) |
| Finance costs | (225,193) | - | (225,193) |
| **Profit before income tax expense** | 1,036,422 | - | 1,036,422 |
| Income tax expense | (310,849) | - | (310,849) |
| Profit after income tax expense for the year | 725,573 | - | 725,573 |
| **Other comprehensive income** | | | |
| Gain on the revaluation of available-for-sale financial assets, net of tax | 120,853 | - | 120,853 |
| Other comprehensive income for the year, net of tax | 120,853 | - | 120,853 |
| **Total comprehensive income for the year** | 846,426 | - | 846,426 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | 15,774 | - | 15,774 |
| Owners of Sequoia Financial Group Limited | 709,799 | - | 709,799 |
| | 725,573 | - | 725,573 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | 15,774 | - | 15,774 |
| Owners of Sequoia Financial Group Limited | 830,652 | - | 830,652 |
| | 846,426 | - | 846,426 |
| | Cents Reported | Cents Adjustment | Cents Restated |
| Basic earnings per share | 1.455 | - | 1.455 |
| Diluted earnings per share | 1.385 | - | 1.385 |

## NOTE 5. 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 CODM conducted a review during the year, after the acquisition of Interprac, and streamlined the information they review to make decisions. As a result the Group changed from reviewing the business by eight operating segments to four. The comparative information has been changed to align with the new segments. There is no aggregation of operating segments.

The information reported to the CODM is on a monthly basis.

*Types of products and services*
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 AFSL and ACL licensing, merger and acquisitions corporate advice, equity capital market advice, administration and investment platform, investment and superannuation products, model portfolios, mortgage broking and life insurance advice. This is delivered through 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, structured products 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.

## NOTE 5. OPERATING SEGMENTS (CONTINUED

*Operating segment information*

| Consolidated - 30 Jun 2018 | Sequoia Wealth Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue | 19,469,348 | 4,168,623 | 45,771,151 | 5,100,571 | 1,164,434 | 75,674,127 |
| **Total revenue** | 19,469,348 | 4,168,623 | 45,771,151 | 5,100,571 | 1,164,434 | 75,674,127 |
| **Segment result** | 2,703,521 | 1,188,701 | 1,767,011 | 944,050 | (3,145,112) | 3,458,171 |
| **Profit before income tax expense** | | | | | | 3,458,171 |
| Income tax expense | | | | | | (1,088,453) |
| Profit after income tax expense | | | | | | 2,369,718 |
| Segment assets | 6,330,185 | 6,401,348 | 96,389,821 | 2,764,420 | 2,656,491 | 114,542,265 |
| **Total assets** | | | | | | 114,542,265 |
| **Liabilities** | | | | | | |
| Segment liabilities | 1,953,106 | 505,416 | 83,092,348 | 1,227,223 | - | 86,778,093 |
| **Total liabilities** | | | | | | 86,778,093 |

| Consolidated - 30 Jun 2017 | Sequoia Wealth Group $ | Sequoia Professional Services Group $ | Sequoia Equity Markets Group $ | Sequoia Direct Investment Group $ | Head Office $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Revenue | 4,558,521 | 2,147,891 | 24,157,726 | 4,103,506 | 107,507 | 35,075,151 |
| **Total revenue** | 4,558,521 | 2,147,891 | 24,157,726 | 4,103,506 | 107,507 | 35,075,151 |
| **Segment result before impairment expense and revaluation increments to fair value** | 254,833 | 248,616 | 52,224 | 357,370 | 123,379 | 1,036,422 |
| **Profit before income tax expense** | 254,833 | 248,616 | 52,224 | 357,370 | 123,379 | 1,036,422 |
| Income tax expense | | | | | | (310,849) |
| **Profit after income tax expense** | | | | | | 725,573 |
| **Assets** | | | | | | |
| Segment assets | 3,043,282 | 3,819,345 | 61,356,016 | (3,111,364) | - | 65,107,279 |
| **Total assets** | | | | | | 65,107,279 |
| **Liabilities** | | | | | | |
| Segment liabilities | 115,623 | 175,741 | 53,679,362 | 934,473 | - | 54,905,199 |
| **Total liabilities** | | | | | | 54,905,199 |

## NOTE 6. REVENUE

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ Restated |
| Sales revenue | | |
| *Data subscriptions fees* | 1,209,386 | 1,235,931 |
| Brokerage and commissions revenue | 28,670,705 | 4,165,909 |
| Superannuation product revenue | 2,197,532 | 2,142,017 |
| Structured product revenue | 32,979,899 | 23,168,171 |
| Corporate advisory fees | 7,857,531 | 2,769,663 |
| Media revenue | 1,601,788 | 1,348,338 |
| Leasing | 480,210 | - |
| Other income | 197,210 | 194,319 |
| | 75,194,261 | 35,024,348 |
| Other revenue | 479,866 | 50,803 |
| Revenue | 75,674,127 | 35,075,151 |

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

## NOTE 7. EXPENSES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Profit before income tax includes the following specific expenses: | | |
| *Rental expense relating to operating leases* | | |
| Minimum lease payments | 885,109 | 429,325 |
| *Employee benefits* | | |
| Wages and salaries | 7,115,620 | 5,346,329 |
| Defined contribution superannuation expense | 599,504 | 393,437 |
| Other employment costs | 1,543,884 | 858,424 |
| Total employee benefits | 9,259,008 | 6,598,190 |

## NOTE 8. INCOME TAX

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Income tax expense* | | |
| Current tax | 1,522,876 | 847,187 |
| Deferred tax - origination and reversal of temporary differences | (450,853) | (535,977) |
| Adjustment recognised for prior periods | 16,430 | (361) |
| Aggregate income tax expense | 1,088,453 | 310,849 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | (2,101,073) | (3,379,133) |
| Increase in deferred tax liabilities | 1,650,220 | 2,843,156 |
| Deferred tax - origination and reversal of temporary differences | (450,853) | (535,977) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 3,458,171 | 1,036,422 |
| Tax at the statutory tax rate of 30% | 1,037,451 | 310,927 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Reverse acquisition | - | 19,853 |
| Sundry items | 34,572 | 24,700 |
| | 1,072,023 | 355,480 |
| Adjustment recognised for prior periods | 16,430 | (361) |
| Current year tax losses not recognised | - | (33,255) |
| Prior year temporary differences not recognised now recognised | - | (11,015) |
| Income tax expense | 1,088,453 | 310,849 |

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Amounts charged/(credited) directly to equity* | | |
| Deferred tax assets | 23,871 | 142,288 |
| Deferred tax liabilities | (46,070) | (83,640) |
| | (22,199) | 58,648 |

## NOTE 8. INCOME TAX (CONTINUED

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Deferred tax asset* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Impairment of receivables | 36,052 | 18,165 |
| Employee benefits | 235,880 | 143,020 |
| Accrued expenses | 385,092 | 197,864 |
| Deferred income | 7,618,353 | 5,278,011 |
| Share issue expenses | 24,258 | 48,129 |
| Net fair value loss on investment | 14,954 | 33,692 |
| Deferred tax attributable to business combinations | 80,278 | - |
| Deferred tax asset | 8,394,867 | 5,718,881 |
| Amount expected to be recovered within 12 months | 8,292,987 | 5,637,060 |
| Amount expected to be recovered after more than 12 months | 101,880 | 81,821 |
| | 8,394,867 | 5,718,881 |
| Movements: | | |
| Opening balance | 5,718,881 | 2,482,036 |
| Credited to profit or loss | 2,101,073 | 3,379,133 |
| Charged to equity | (23,871) | (142,288) |
| Additions through business combinations (note 29) | 598,784 | - |
| Closing balance | 8,394,867 | 5,718,881 |

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Deferred tax liability* | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Available-for-sale financial assets | 251,778 | 297,848 |
| Deferred expenses | 5,889,933 | 4,239,713 |
| Deferred tax liability | 6,141,711 | 4,537,561 |
| Amount expected to be recovered within 12 months | 5,889,933 | 4,239,713 |
| Amount expected to be recovered after more than 12 months | 251,778 | 297,848 |
| | 6,141,711 | 4,537,561 |
| Movements: | | |
| Opening balance | 4,537,561 | 1,778,045 |
| Charged to profit or loss | 1,650,220 | 2,843,156 |
| Credited to equity | (46,070) | (83,640) |
| Closing balance | 6,141,711 | 4,537,561 |

## NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Trade receivables | 2,110,743 | 1,442,669 |
| Less: Provision for impairment of receivables | (120,174) | (60,551) |
| | 1,990,569 | 1,382,118 |
| Other receivables | 5,098,037 | 239,043 |
| | 7,088,606 | 1,621,161 |

*Impairment of receivables*

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

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Over 60 days overdue | 120,174 | 60,551 |

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

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Opening balance | 60,551 | 33,909 |
| Additional provisions recognised | 59,623 | 26,642 |
| Closing balance | 120,174 | 60,551 |

*Past due but not impaired*

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

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

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| 1 to 30 days overdue | 78,970 | - |
| 31 to 60 days overdue | 56,715 | 25,662 |
| Over 60 days overdue | 119,136 | 73,524 |
| | 254,821 | 99,186 |

## NOTE 10. CURRENT ASSETS - FINANCIAL ASSETS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Ordinary shares - held for trading | 1,494,444 | 26,460 |
| *Reconciliation* | | |
| Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening fair value | 26,460 | - |
| Additions | 1,644,259 | 26,460 |
| Revaluation decrements | (176,275) | - |
| Closing fair value | 1,494,444 | 26,460 |

Refer to note 22 for further information on fair value measurement.

Ordinary shares are held in ASX listed companies and are actively traded.

## NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Current assets* | | |
| Derivatives - fair value hedges | 13,924,686 | 5,976,249 |
| *Non-current assets* | | |
| Derivatives - fair value hedges | 17,438,251 | 19,335,325 |
| *Current liabilities* | | |
| Derivatives - fair value hedges | (13,924,686) | (5,976,249) |
| *Non-current liabilities* | | |
| Derivatives - fair value hedges | (17,438,251) | (19,335,325) |
| | - | - |

Refer to note 21 for further information on financial instruments.

Refer to note 22 for further information on fair value measurement.

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the value of its investment products issued to the Group's investors in accordance with the Group's financial risk management policies (refer to Note 21).

The Group enters into hedging instruments with financial institutions to hedge its exposure to fluctuations in the value of its investment and loan products. The hedging instruments are fair valued by financial institutions to reflect the market value of the hedged instruments. The hedge assets are selected so that the fair value of the hedged liabilities equates to the fair value of the hedged assets and loans. In this way the liabilities and assets are hedged and the risk associated with changes in market conditions has been neutralised.

## NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED

Information about the Group's exposure to market risk, liquidity risk, and credit risk is disclosed in Note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets outlined above.

Sequoia has an obligation to its clients to pay the value of the investment at expiry or when an unwind event occurs. The current asset amount and the non-current asset amount equals that of the investment obligation described as a current liability and a non-current liability. The carrying amount equals the amount of the investment obligation. The rise or fall offset each other.

## NOTE 12. DEFERRED COSTS AND DEFERRED REVENUE

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| **Deferred costs** | | |
| Assets: | | |
| Current | 9,211,254 | 7,500,455 |
| Non-current | 9,707,879 | 6,715,907 |
| Total deferred costs | 18,919,133 | 14,216,362 |

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| **Deferred revenue** | | |
| Liabilities: | | |
| Current | 11,748,491 | 8,935,131 |
| Non-current | 13,646,018 | 8,658,240 |
| Total deferred revenue | 25,394,509 | 17,593,371 |

Deferred costs relates to hedging costs and deferred revenue relate to sales. The costs and revenue are deferred due to recognition requirements where the revenue and cost is spread over the product life.

Current deferred revenue less current deferred costs total $2,537,237 (2017: $1,434,676) are to be realised in the next 12 months. Non-current deferred revenue less non-current deferred costs total $3,938,139 (2017: $1,942,333) are to be realised in more than 12 months.

Total deferred revenue less total deferred costs is $6,475,376 (2017: $3,377,009) which will be realised in the coming years.

## NOTE 13. NON-CURRENT ASSETS - FINANCIAL ASSETS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| Investment in other non-listed entities | 1,944,646 | 1,399,115 |
| *Reconciliation* | | |
| Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below: | | |
| Opening carrying amount | 1,399,115 | 1,399,115 |
| Additions | 127,501 | - |
| Revaluation increments | 419,735 | - |
| Write off of assets | (1,705) | - |
| Closing carrying amount | 1,944,646 | 1,399,115 |

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| Goodwill - at cost | 11,304,708 | 8,607,296 |
| Website - at cost | 74,262 | 72,112 |
| Less: Accumulated amortisation | (66,066) | (54,822) |
| | 8,196 | 17,290 |
| Customer list - at cost | 5,872,704 | 413,472 |
| Less: Accumulated amortisation | (426,422) | (354,492) |
| | 5,446,282 | 58,980 |
| Regulator memberships and licences - at cost | 3,916,706 | 102,500 |
| Less: Accumulated amortisation | (67,167) | (66,944) |
| | 3,849,539 | 35,556 |
| Other intangibles - at cost | 713,978 | - |
| | 21,322,703 | 8,719,122 |

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Goodwill $ | Website $ | Customer list $ | Regulator memberships and licences $ | Software $ | Other intangibles $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | 8,607,296 | 27,297 | 135,919 | 42,500 | - | - | 8,813,012 |
| Additions | - | - | - | - | 25,614 | - | 25,614 |
| Impairment of assets | - | - | - | (6,944) | - | - | (6,944) |
| Amortisation expense | - | (10,007) | (76,939) | - | (25,614) | - | (112,560) |
| Balance at 30 June 2017 | 8,607,296 | 17,290 | 58,980 | 35,556 | - | - | 8,719,122 |
| Additions | - | 2,150 | - | - | - | 713,978 | 716,128 |
| Additions through business combinations (note 29) | 2,697,412 | - | 5,459,232 | 3,814,206 | - | - | 11,970,850 |
| Amortisation expense | - | (11,244) | (71,930) | (223) | - | - | (83,397) |
| Balance at 30 June 2018 | 11,304,708 | 8,196 | 5,446,282 | 3,849,539 | - | 713,978 | 21,322,703 |

*Impairment testing*

Goodwill acquired through business combinations has been allocated to the following cash generating units:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Cash generating units ('CGUs'): | | |
| Sequoia Wealth Group | 674,686 | 674,686 |
| Sequoia Professional Services Group | 1,688,608 | 1,688,608 |
| Sequoia Equity Markets Group | 5,162,392 | 5,162,392 |
| Sequoia Direct Investment Group | 1,081,610 | 1,081,610 |
| Head Office * | 2,697,412 | - |
| | 11,304,708 | 8,607,296 |

* Until the business combination of Interprac Ltd is fully finalised the goodwill has been allocated to the Head Office CGU.

The recoverable amount of the Group's goodwill 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 cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model in relation to the goodwill associated to various cash generating units:

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED

| Key assumptions | Revenue growth rate % | Increase in direct and overhead costs per annum % | Discount rate % |
|---|---|---|---|
| Sequoia Wealth Group | 5.0% | 2.5% | 15.0% |
| Sequoia Professional Services Group | 5.0% | 2.5% | 15.0% |
| Sequoia Equity Markets Group | 1.0% | 2.5% | 15.0% |
| Sequoia Direct Investment Group | 2.0% | 2.5% | 15.0% |

The goodwill is considered to be sensitive to these assumptions and is carried in the statement of financial position at a written-down value.

Any impairment is recognised in respect of goodwill at the end of the relevant reporting period.

*Sensitivity*

As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

(a) Revenue growth would need to decrease by more than 1% before goodwill would need to be impaired, with all other assumptions remaining constant.

(b) The discount rate would be required to increase by 1% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for goodwill.

## NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Trade payables | 2,502,813 | 1,343,454 |
| Client equities | 5,596,512 | - |
| Accrued expenses | 4,831,966 | 2,813,751 |
| Other payables | 641,863 | 266,652 |
| | 13,573,154 | 4,423,857 |

Refer to note 21 for further information on financial instruments.

## NOTE 16. CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Bank loans | 364,008 | 158,820 |
| Capital finance | 5,823,038 | 14,487 |
| Other loans | 3,273 | - |
| Convertible notes payable | 400,000 | 100,000 |
| Lease liability | 90,398 | - |
| | 6,680,717 | 273,307 |

Refer to note 17 for further information on assets pledged as security and financing arrangements.

Refer to note 21 for further information on financial instruments.

Capital finance increased by $5,900,000 during the year via capital finance injection whch attracts 7.5% to 12% interest per annum. One financier has two charges of $1,750,000 over options with an exercise period of 18 months and strike price of 35c per option.

Convertible notes payable comprised a number of convertible loans to the value of $400,000 (2017: $700,000). Interest is payable at a rate of 7 (2017: 7) percent per annum. The comparative convertible notes were repaid during the year and new convertible notes were issued.

## NOTE 17. NON-CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Bank loans | 719,506 | 827,868 |
| Convertible notes payable | - | 600,000 |
| | 719,506 | 1,427,868 |

Refer to note 21 for further information on financial instruments.

Interest on borrowings is payable at rates between 6.5% and 12%.

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Bank loans | 1,083,514 | 986,688 |
| Lease liability | 90,398 | - |
| | 1,173,912 | 986,688 |

## NOTE 17. NON-CURRENT LIABILITIES - BORROWINGS (CONTINUED

*Assets pledged as security*
The bank loans are secured by first mortgages over all assets.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Total facilities | | |
| Bank loans | 971,172 | 1,097,766 |
| Used at the reporting date | | |
| Bank loans | 877,906 | 986,688 |
| Unused at the reporting date | | |
| Bank loans | 93,266 | 111,098 |

## NOTE 18. EQUITY - ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 30 Jun 2018 Shares | 30 Jun 2017 Shares | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Ordinary shares - fully paid | 102,805,456 | 48,798,706 | 42,788,182 | 26,724,112 |

At the Annual General Meeting held on 1 November 2016, the shareholders of Sequoia Financial Group Limited agreed to a 1:100 share consolidation. The movement above reflects the shares on issue after consolidation.

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2016 | 4,879,870,632 | | 26,724,112 |
| 1:100 share consolidation split | 11 November 2016 | (4,831,071,926) | | - |
| Balance | 30 June 2017 | 48,798,706 | | 26,724,112 |
| Issue of shares | 4 September 2017 | 3,394,750 | $0.320 | 1,086,320 |
| Issue of shares | 15 September 2017 | 5,583,750 | $0.320 | 1,786,800 |
| Issue of shares | 18 September 2017 | 501,250 | $0.320 | 160,400 |
| Issue of shares on acquisition of Morrison Securities Pty Ltd | 18 September 2017 | 1,562,500 | $0.360 | 562,500 |
| Issue of shares | 25 September 2017 | 187,500 | $0.320 | 60,000 |
| Issue of shares on acquisition of Interprac Ltd | 1 December 2017 | 42,777,000 | $0.290 | 12,405,330 |
| Share issue transaction costs | | | | 2,720 |
| Balance | 30 June 2018 | 102,805,456 | | 42,788,182 |

## NOTE 18. EQUITY - ISSUED CAPITAL (CONTINUED

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*
There is no current on-market share buy-back.

*Shares subject to voluntary escrow*
32,082,751 ordinary shares are subject to voluntary escrow expiring on 1 December 2018.

*Capital risk management*
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2017 Annual Report.

## NOTE 19. EQUITY - RESERVES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| Available-for-sale reserve | 587,481 | 297,951 |
| Share-based payments reserve | 229,418 | 110,384 |
| | 816,899 | 408,335 |

*Available-for-sale reserve*
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## NOTE 20. EQUITY - DIVIDENDS

*Dividends*

On 30 August 2018, the Company declared an ordinary fully franked dividend for the second half of the year ended 30 June 2018 (2018 Final Dividend) of 0.5 cents per share. The final dividend is to be paid on 25 October 2018. The record date for the final dividend is 11 October 2018.

*Franking credits*

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 3,238,375 | 2,985,683 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## NOTE 21. FINANCIAL INSTRUMENTS

***Financial risk management objectives***

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, derivative assets and liabilities, convertible notes and loans receivable and payable.

This note provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition, this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

One of the Group's main activities is to issue investments to its product holders which provide returns based on the performance of an underlying reference asset, typically a single index or a single listed equity. Different underlying reference assets, with varying features are issued in separate series. The series are exposed to securities listed on global or local exchanges. The products issued to the product holders have a maturity of between 18 months and 48 months from the date of issue. On maturity, if the investment has performed sufficiently, the product holder has the option to contribute in cash the notional value of the investment on issue date to receive a delivery asset (a liquid security on the ASX) equal to the value of the underlying reference asset or the value in cash of the financial liability. The Group enters into a financial instrument with an investment bank, which hedges each series that is offered to its product holders. The Group ensures that the notional exposure across all its products are covered via the arrangement, and as such mitigates its risk in this fashion.

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

## NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED

The Board of Directors are monitoring and managing financial risk exposures of the Group. The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018<br>$ | 30 Jun 2017<br>$ |
| **Financial assets** | | |
| Cash and cash equivalents | 19,031,987 | 6,177,418 |
| Trade and other receivables | 7,088,606 | 1,621,161 |
| Derivative assets | 31,362,937 | 25,311,574 |
| Financial assets | 3,439,090 | 1,425,575 |
| Total financial assets | 60,922,620 | 34,535,728 |
| **Financial liabilities** | | |
| Trade and other payables | 13,573,154 | 4,423,857 |
| Derivative liabilities | 31,362,937 | 25,311,574 |
| Bank loans and capital finance | 6,906,552 | 1,001,175 |
| Convertible notes | 400,000 | 700,000 |
| Other loans | 3,273 | - |
| Total financial liabilities | 52,245,916 | 31,436,606 |

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group issues a structured product to the product holder that is hedged with the financial instrument that it purchases from an investment bank. The details of the financial instruments are such that the future cash flows from the financial assets offset the cash flows needed to settle the financial liabilities. The Group uses this arrangement to mitigate the market risks below, except for credit risk.

*Price risk*

Price risk arises from changes in underlying investments designated in the financial instruments held by the Group for which values in the future are uncertain.

The Group mitigates the above price risk by ensuring that price risk in the financial instruments is offset with one another. The difference in fair value between the financial asset and liability held through profit and loss is as a result of the premium associated with the financial liability arising from being issued in the retail market. The Group does not monitor the price risk associated with the premium, as price risk would only result if the Group were to transfer the liability, and since the Group has no intention of transferring the financial liability, no disclosures regarding the sensitivity to price risk have been made.

The Group is, therefore, not exposed to any significant price risk.

## NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

*Interest rate risk*
Interest rate risk is the risk that the value of the Group's financial instruments will fluctuate due to changes in market interest rates.

The Group's cash and cash equivalents are exposed to interest rate risk, however the Directors of the Group manage financial instruments to ensure that interest rate risk remains hedged and is therefore offsetting.

The Group is also exposed to interest rate risk arising from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group is not exposed to any significant interest rate risk.

***Credit risk***
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board of Directors has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed by obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

The financial products issued by Sequoia Specialist Investments Pty Ltd ('Issuer') are secured obligations of the Issuer. Investors are granted a charge which is held on trust by the security trustee. If the Issuer fails to (i) make a payment or delivery on its due date; or (ii) meet any other obligation and in the Security Trustee's opinion, the failure is materially adverse to the investors and cannot be remedied (or has not been remedied within 5 business days of written notice), the Security Trustee may enforce the charge. In this case the investors are unsecured creditors of the provider of the hedge assets. Investors' rights of recourse against the Issuer on a default are limited to the assets subject to the charge. This structure has the effect of passing through the credit rating of the provider of the hedge asset and protecting different financial product series from cross-liability issues (other than on an insolvency of either the Issuer or the provider of the hedge asset). The Issuer will only deal with an investment-grade (or better) bank or a subsidiary of an investment-grade (or better) bank.

Investments grades are a rating or indicator of particular debt obligations which have a reasonably low risk of default. Various rating agencies rate an investment bank's creditworthiness. Different rating firms use different designations. Sequoia Specialist Investments Pty Ltd hedge providers are considered "investment grade" and the credit worthiness of our investment bank hedge contracts providers are between high credit quality ('AAA' and 'AA' ) and medium credit quality ('A' and 'BBB'). Therefore, the risk of default of the selected hedge providers are considered low. In addition, if the investment bank were to unexpectedly default the resulting financial risk would be ultimately borne by the end investor, due to the pass through of the credit risk of the hedge provider to the end investor.

## NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables detail the Group's potential exposure, should the counterparties be unable to meet their obligations:

| 2018 | Fair value $ | Notional value $ |
|---|---|---|
| Derivative liabilities | 31,362,937 | 253,865,633 |

| 2017 | Fair value $ | Notional value $ |
|---|---|---|
| Derivative liabilities | 25,311,574 | 130,443,319 |

***Liquidity risk***

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

There is a core capital requirement for Morrison Pty Ltd being $5,000,000 at the 30 June 2018 as they are an ASX Clearing Participant.

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

| Consolidated - 30 Jun 2018 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| *Non-interest bearing* | | | | |
| Trade payables | 2,502,813 | - | - | 2,502,813 |
| Other payables | 641,863 | - | - | 641,863 |
| *Interest-bearing - variable* | | | | |
| Bank loans | 364,008 | 719,506 | - | 1,083,514 |
| Other loans | 3,273 | - | - | 3,273 |
| *Interest-bearing - fixed rate* | | | | |
| Capital finance | 5,823,038 | - | - | 5,823,038 |
| Convertible notes payable | 400,000 | - | - | 400,000 |
| Total non-derivatives | 9,734,995 | 719,506 | - | 10,454,501 |
| **Derivatives** | | | | |
| Value hedges, net settled | 13,924,686 | 17,438,251 | - | 31,362,937 |
| Total derivatives | 13,924,686 | 17,438,251 | - | 31,362,937 |

## NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED

| Consolidated - 30 Jun 2017 | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| *Non-interest bearing* | | | | |
| Trade payables | 1,343,454 | - | - | 1,343,454 |
| Other payables | 266,652 | - | - | 266,652 |
| *Interest-bearing - variable* | | | | |
| Bank loans | 158,820 | 827,868 | - | 986,688 |
| *Interest-bearing - fixed rate* | | | | |
| Capital finance | 14,487 | - | - | 14,487 |
| Convertible notes payable | 100,000 | 600,000 | - | 700,000 |
| Total non-derivatives | 1,883,413 | 1,427,868 | - | 3,311,281 |
| **Derivatives** | | | | |
| Value hedges, net settled | 5,976,249 | 19,335,325 | - | 25,311,574 |
| Total derivatives | 5,976,249 | 19,335,325 | - | 25,311,574 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## NOTE 22. FAIR VALUE MEASUREMENT

*Fair value hierarchy*
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, 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

| Consolidated - 30 Jun 2018 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Listed ordinary shares | 1,494,444 | - | - | 1,494,444 |
| Unlisted ordinary shares | - | 1,818,850 | 125,796 | 1,944,646 |
| Derivative financial instruments | - | 31,362,937 | - | 31,362,937 |
| Total assets | 1,494,444 | 33,181,787 | 125,796 | 34,802,027 |
| *Liabilities* | | | | |
| Derivative financial instruments | - | 31,362,937 | - | 31,362,937 |
| Total liabilities | - | 31,362,937 | - | 31,362,937 |

## NOTE 22. FAIR VALUE MEASUREMENT (CONTINUED)

| Consolidated - 30 Jun 2017 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| *Assets* | | | | |
| Listed ordinary shares | 26,460 | - | - | 26,460 |
| Unlisted ordinary shares | - | 1,399,115 | - | 1,399,115 |
| Derivative financial instruments | - | 25,311,574 | - | 25,311,574 |
| Total assets | 26,460 | 26,710,689 | - | 26,737,149 |
| *Liabilities* | | | | |
| Derivative financial instruments | - | 25,311,574 | - | 25,311,574 |
| Total liabilities | - | 25,311,574 | - | 25,311,574 |

There were no transfers between levels during the financial year.

Convertible notes are held at amortised cost so are excluded from the fair value tables above.

The carrying amounts of trade and other receivables, trade and other payables and other financial liabilities 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 are 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 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.

## NOTE 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Short-term employee benefits | 994,227 | 925,887 |
| Post-employment benefits | 69,453 | 66,225 |
| Share-based payments | 32,867 | - |
| | 1,096,547 | 992,112 |

## NOTE 24. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by William Buck (2017: Hall Chadwick (NSW)), the auditor of the Company:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Audit services - William Buck (30 Jun 2017: Hall Chadwick (NSW))* | | |
| Audit or review of the financial statements | 149,250 | 106,500 |
| *Other services - William Buck (30 Jun 2017: Hall Chadwick (NSW))* | | |
| Tax services | 27,850 | 39,591 |
| Other services | 21,938 | 1,750 |
| | 49,788 | 41,341 |
| | 199,038 | 147,841 |

## NOTE 25. CONTINGENT LIABILITIES

The Group has given a bank guarantee as at 30 June 2018 of $764,938 (2017: $86,489) in relation to rental bonds.

## NOTE 26. COMMITMENTS

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| *Commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 902,650 | 78,133 |
| One to five years | 3,314,707 | 2,070 |
| More than five years | 306,141 | - |
| | 4,523,498 | 80,203 |

Operating lease commitments includes contracted amounts for the Group's Melbourne and Sydney premises, insurance commitments and leased technology equipment under non-cancellable operating leases. The property leases are payable monthly in advance and have contingent rental provisions within the lease agreement which require that minimum lease payments shall be increased by 4% per annum with options to extend for between 2.7 years and 3 years. The Group has one five-year operational lease for printers, leased at a flat-rate and expiring in August 2019.

## NOTE 27. RELATED PARTY TRANSACTIONS

*Parent entity*
Sequoia Financial Group Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 30.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Sale of goods and services: | | |
| Sale of services to Interprac, an entity which Garry Crole is a Director | - | 7,500 |
| Other transactions: | | |
| Sales collection and rebate of services to Interprac, an entity which Garry Crole is a Director | - | 209,927 |
| Loan to Director, Garry Crole | 10,056 | - |

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## NOTE 28. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Loss after income tax | (370,481) | (1,154,643) |
| Total comprehensive income | (370,481) | (1,154,643) |

## NOTE 28. PARENT ENTITY INFORMATION (CONTINUED

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Total current assets | 41,194 | 330,542 |
| Total assets | 36,266,384 | 14,478,292 |
| Total current liabilities | 8,157,640 | 2,129,594 |
| Total liabilities | 11,819,692 | 6,257,969 |
| Equity | | |
| Issued capital | 78,691,011 | 62,351,171 |
| Share-based payments reserve | 229,418 | - |
| Accumulated losses | (54,473,737) | (54,130,848) |
| Total equity | 24,446,692 | 8,220,323 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity has guaranteed the bank loan by a general security arrangement over existing and future assets and undertakings in the case of default by Sequoia Superannuation Pty Ltd and Sequoia Asset Management Pty Ltd at 30 June 2018 and 30 June 2017.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2018 of 30 June 2017.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 or 30 June 2017.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## NOTE 29. BUSINESS COMBINATIONS

**2018**

*Morrison Securities Pty Ltd*

On 18 September 2017, Sequoia Financial Group Limited acquired 100% of the ordinary shares of Morrison Securities Pty Ltd for the total consideration transferred of $3,577,828. This is a well-established online stockbroking business that is highly complementary to Sequoia's existing stockbroking businesses and operates in the Trading and Execution division of the Group. The acquired business contributed revenues of $1,246,914 and loss before tax of $100,920 to the Group for the period from 18 September 2017 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contributions would have been higher and the loss before tax lower. The values identified in relation to the acquisition of Morrison Securities Pty Ltd are provisional as at 30 June 2018.

*Interprac Ltd*

On 1 December 2017, Sequoia Financial Group Limited acquired 100% of the ordinary shares of Interprac Ltd for the total consideration transferred of $12,405,330. Interprac supports accounting firms and provides a range of value added substantially similar financial services in the following areas: InterPrac financial planning, Australian Financial Service Licence (AFSL) dealer services, investment referral, insurance and finance services, legal documentation and self-managed super fund (SMSF) administration and the management of the National tax and Accountants' Association corporate business (which provide accountancy practices with solutions to established companies, trusts and new superannuation funds on behalf of their clients). The goodwill of $8,286,232 represents the synergies expected to be obtained from the integration of the business into the Group. The acquired business contributed revenues of $16,340,660 and profit before tax of $2,204,391 to the Group for the period from 1 December 2017 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contributions would have been revenues of $28,191,517 and profit before tax of $1,986,262. The values identified in relation to the acquisition of Interprac Ltd are provisional as at 30 June 2018.

*My Own Super Fund Pty Ltd*

On 1 March 2018, Sequoia Financial Group Limited acquired 100% of the ordinary shares of My Own Super Fund Pty Ltd for the total consideration transferred of $142,127. My Own Super Fund are a leading SMSF administration and compliance service provider to SMSF funds. The goodwill of $83,412 represents the synergies expected to be obtained from the integration of the business into the Group. The acquired business contributed revenues of $60,069 and profit before tax of $37,939 to the Group for the period from 1 March 2018 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contributions would have been revenues of $187,811 and profit before tax of $78,236. The values identified in relation to the acquisition of My Own Super Fund Pty Ltd are provisional as at 30 June 2018.

## NOTE 29. BUSINESS COMBINATIONS (CONTINUED)

Details of the acquisitions are as follows:

| | Morrison Securities Pty Ltd Fair value $ | Interprac Ltd Fair value $ | My Own Super Fund Pty Ltd Fair value $ | Total Provisional Fair value $ |
|---|---|---|---|---|
| Cash and cash equivalents | 1,462,406 | 913,697 | 9,507 | 2,385,610 |
| Trade and other receivables | - | 931,968 | 37,928 | 969,896 |
| Financial assets | - | 1,462,429 | - | 1,462,429 |
| Other current assets | 1,766,979 | 2,371,809 | - | 4,138,788 |
| Investments | - | - | 12,667 | 12,667 |
| Property, plant and equipment | - | 1,238,723 | - | 1,238,723 |
| Intangibles | 3,564,206 | 5,709,232 | - | 9,273,438 |
| Trade and other payables | (3,215,763) | (2,825,899) | (1,387) | (6,043,049) |
| Other liabilities | - | (10,629) | - | (10,629) |
| Net assets acquired | 3,577,828 | 9,791,330 | 58,715 | 13,427,873 |
| Goodwill | - | 2,614,000 | 83,412 | 2,697,412 |
| Acquisition-date fair value of the total consideration transferred | 3,577,828 | 12,405,330 | 142,127 | 16,125,285 |
| Representing: | | | | |
| Cash paid or payable to vendor | 3,015,328 | - | 142,127 | 3,157,455 |
| Sequoia Financial Group Limited shares issued to vendor | 562,500 | 12,405,330 | - | 12,967,830 |
| | 3,577,828 | 12,405,330 | 142,127 | 16,125,285 |
| Acquisition costs expensed to profit or loss | 47,677 | 228,158 | - | 275,835 |
| Cash used to acquire business, net of cash acquired: | | | | |
| Acquisition-date fair value of the total consideration transferred | 3,577,828 | 12,405,330 | 147,127 | 16,125,285 |
| Less: cash and cash equivalents | (1,462,406) | (913,697) | (9,507) | (2,385,610) |
| Less: shares issued by Company as part of consideration | (562,500) | (12,405,330) | - | (12,967,830) |
| Net cash used/(received) | 1,552,922 | (913,697) | 137,620 | 771,845 |

*FNN*

On 25 January 2018 the Group made a payment for 6,000,000 shares, representing 23.12% of the issued shares in Finance TV Pty Ltd, for a purchase consideration of $578,000. On 16 May 2018, the Group acquired the remaining 23.93% of the issued shares of Finance TV Pty Ltd for a purchase consideration of $578,260. The carrying amount of the non-controlling interests in Finance TV Pty Ltd on the date of acquisition was $134,242. The Group now holds 100% of the share capital of FNN. The effect of changes in the ownership interest of FNN on the equity attributable to owners of the Group during the year is summarised as follows:

| | $ |
|---|---|
| Consideration paid to non-controlling interests | 1,156,260 |

This consideration has been reflected as an acquisition of non-controlling interests in the statement of changes in equity (net of costs).

## NOTE 29. BUSINESS COMBINATIONS (CONTINUED)

*Interprac General Insurance Pty Ltd*

On 29 March 2018 the Group acquired the remaining 10% of the ordinary shares of Interprac General Insurance Pty Ltd for a purchase consideration of $124,000. The carrying amount of the non-controlling interests in Interprac General Insurance Pty Ltd on the date of acquisition was $34,993. The Group now holds 100% of the share capital of Interprac General Insurance Pty Ltd. The effect of changes in the ownership interest of Interprac General Insurance Pty Ltd on the equity attributable to owners of the Group during the year is summarised as follows:

| | |
|---|---|
| Consideration paid to non-controlling interests | 124,000 |

**2017**

*FNN*

On 1 September 2016, the Group acquired an additional 3.86% of the issued shares of Finance TV Pty Ltd for a purchase consideration of $50,000. The carrying amount of the non-controlling interests in Finance TV Pty Ltd on the date of acquisition was $77,399. The Group recognised a decrease in non-controlling interests of $4,466 and a decrease in equity attributable to the owners of the parent of $45,534. The Group now holds 53.95% of the share capital of FNN. The effect of changes in the ownership interest of FNN on the equity attributable to owners of the Group during the year is summarised as follows:

| | $ |
|---|---|
| Carrying amount of non-controlling interest acquired | 4,466 |
| Consideration paid to non-controlling interests | (50,000) |
| | (45,534) |

## NOTE 30. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

| | | | Parent | | Non-controlling interest | |
|---|---|---|---|---|---|---|
| Name | | Principal place of business / Country of incorporation | Ownership interest 30 Jun 2018 % | Ownership interest 30 Jun 2017 % | Ownership interest 30 Jun 2018 % | Ownership interest 30 Jun 2017 % |
| Sequoia Financial Group Limited | | Australia | 100.00% | 100.00% | - | - |
| Sequoia Group Holdings Pty Ltd | | Australia | 100.00% | 100.00% | - | - |
| Bourse Data Pty Ltd | (a) | Australia | 100.00% | 100.00% | - | - |
| The Cube Financial Group Ltd | (a) | Australia | 100.00% | 100.00% | - | - |
| D2MX Pty Ltd | (a) | Australia | 100.00% | 100.00% | - | - |
| Market Data Services Pty Ltd | (a) | Australia | 100.00% | 100.00% | - | - |
| MDSnews.com Pty Ltd | (a) | Australia | 100.00% | 100.00% | - | - |
| Morrison Securities Pty Ltd | (a) | Australia | 100.00% | - | - | - |
| Interprac Pty Ltd (formerly Interprac Ltd) | (a) | Australia | 100.00% | - | - | - |
| Reach Financial Group Pty Ltd (formerly Sequoia Direct Pty Ltd)** | (b) | Australia | - | 100.00% | - | - |
| Finance TV Pty Ltd | (b) | Australia | 100.00% | 53.95% | - | 46.05% |

## NOTE 30. INTERESTS IN SUBSIDIARIES (CONTINUED)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sequoia Superannuation Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Specialist Investments Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Asset Management Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Lending Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Funds Management Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Wealth Group Pty Ltd | (c) | Australia | 100.00% | 100.00% | - | - |
| My Own Super Fund Pty Ltd | (c) | Australia | 100.00% | - | - | - |
| Sequoia Brisbane Pty Ltd | (d) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Nominees No 1, Pty Ltd | (e) | Australia | 100.00% | 100.00% | - | - |
| Acacia Administrative Services Pty Ltd* | (f) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Wealth Management Pty Ltd | (g) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Corporate Finance Pty Ltd | (g) | Australia | 100.00% | 100.00% | - | - |
| Trader Dealer Online Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Centreboard Super Pty Ltd *** | (c) (h) | Australia | 100.00% | - | - | - |
| Property Engine Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Investor1st Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Investorfirst Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| InterPrac Financial Planning Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Sage Capital Group Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Interprac Securities Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Interprac General Insurance Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| InterPrac Mortgage Management Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| InterPrac Finance Services Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| SMSF Engine Pty Ltd | (h) | Australia | 100.00% | - | - | - |
| Overview Consultancy Pty. Ltd. | (i) | Australia | 100.00% | - | - | - |

(a) Subsidiary of Sequoia Financial Group Limited
(b) Subsidiary of MDSnews.com Pty Ltd
(c) Subsidiary of Sequoia Group Holdings Pty Ltd
(d) Subsidiary of Sequoia Superannuation Pty Ltd
(e) Subsidiary of Sequoia Specialist Investments Pty Ltd
(f) Subsidiary of Sequoia Asset Management Pty Ltd
(g) Subsidiary of Sequoia Wealth Group Pty Ltd
(h) Subsidiary of Interprac Pty Ltd
(i) Subsidiary of InterPrac General Insurance Pty Ltd

* Acacia Administrative Services Pty Ltd acts as a service entity for the Group with all employees engaged under this entity.
** Reach Financial Group Pty Ltd was sold on 30 June 2018.
*** 50% owned by Sequoia Group Holdings Pty Ltd and 50% owned by Interprac Pty Ltd

## NOTE 31. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Profit after income tax expense for the year | 2,369,718 | 725,573 |
| Adjustments for: | | |
| Depreciation and amortisation | 473,888 | 228,176 |
| Impairment of non-current assets | 222 | 6,945 |
| Net loss on disposal of non-current assets | 1,705 | 79,757 |
| Share-based payments | 119,034 | 110,384 |
| Non-cash expenses | 2,720 | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (4,497,549) | (26,520) |
| Increase in inventories | (18,547) | - |
| Increase in deferred tax assets | (2,629,916) | (3,276,170) |
| Increase in other operating assets | (1,018,697) | (8,986,982) |
| Increase in trade and other payables | 3,106,248 | 2,149,142 |
| Increase in provision for income tax | 589,910 | 849,695 |
| Increase in deferred tax liabilities | 1,604,150 | 2,759,516 |
| Increase in employee benefits | 234,406 | 84,998 |
| Increase in other provisions | 643,582 | - |
| Increase in other operating liabilities | 7,890,509 | 11,133,351 |
| Net cash from operating activities | 8,871,383 | 5,837,865 |

## NOTE 32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| Consolidated | Bank loans $ | Capital finance $ | Other loans $ | Convertible notes $ | Lease liability $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | - | - | - | 2,060,000 | - | 2,060,000 |
| Net cash from/(used in) financing activities | 986,688 | 14,487 | - | (1,360,000) | - | (358,825) |
| Balance at 30 June 2017 | 986,688 | 14,487 | - | 700,000 | - | 1,701,175 |
| Net cash from/(used in) financing activities | 96,826 | 5,808,551 | 3,273 | (300,000) | 90,398 | 5,699,048 |
| Balance at 30 June 2018 | 1,083,514 | 5,823,038 | 3,273 | 400,000 | 90,398 | 7,400,223 |

## NOTE 33. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 30 Jun 2018 $ | 30 Jun 2017 $ |
| Profit after income tax | 2,369,718 | 725,573 |
| Non-controlling interest | (58,733) | (15,774) |
| Profit after income tax attributable to the owners of Sequoia Financial Group Limited | 2,310,985 | 709,799 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 82,523,837 | 48,798,706 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 3,500,000 | 1,166,668 |
| Performance rights | 340,000 | 1,300,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 86,363,837 | 51,265,374 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 2.800 | 1.455 |
| Diluted earnings per share | 2.676 | 1.385 |

## NOTE 34. SHARE-BASED PAYMENTS

**Sequoia Employee Incentive Plan ('SEIP')**

On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan ('SEIP') to offer options and performance rights to certain employees employed in the Company.

***Options***

All options offered under the December 2017 grant were granted for nil consideration and had a $0.45 exercise price.

Options vest in two tranches:

| Tranche | Vesting date |
|---|---|
| Tranche 1 | 30 June 2018 |
| Tranche 2 | 30 June 2019 |

The vesting conditions of the options granted under the December 2017 grant are:

- Tranche 1 - full time employee of the Company and net profit after tax exceeding the 30 June 2017 result; and
- Tranche 2 - full time employee of the Company and net profit after tax exceeding the 30 June 2018 result.

All option tranches expire on 31 December 2019.

## NOTE 34. SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of options granted under the plan:

**30 Jun 2018**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 01/12/2017 | 31/07/2019 | $0.350 | - | 1,750,000 | - | - | 1,750,000 |
| 01/12/2017 | 31/07/2019 | $0.350 | - | 1,750,000 | - | - | 1,750,000 |
| 01/12/2017 | 31/12/2019 | $0.450 | - | 2,000,000 | - | - | 2,000,000 |
| | | | - | 5,500,000 | - | - | 5,500,000 |

The 2,000,000 options issued on 1 December 2017 at $0.45 per share relate to Scott Beeton and incur a performance conditions that NPAT must exceed 30 June 2017 and 30 June 2018 results.

The weighted average share price during the financial year was $0.34.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.5 years.

***Performance rights***

On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan ('SEIP') to offer performance rights to certain employees employed in the Company.

All performance rights offered under the February 2017 grant were granted for nil consideration and had a nil exercise price.

Performance rights vest in three tranches:

| Tranche | Vesting date |
|---|---|
| Tranche 1 | 31 January 2018 |
| Tranche 2 | 31 January 2019 |
| Tranche 3 | 31 January 2020 |

The vesting conditions of the performance rights granted under the February 2017 grant are:

- 50% of each tranche where the employee meets the service condition; and
- 50% of each tranche where the employee meets the service condition and the Company meets the performance conditions.

All performance rights tranches expire on 31 January 2022.

The performance conditions are related to share price hurdles as follows:

- Tranche 1 will vest if the Company's 90 Day VWAP up to and including 31 January 2018 is at least $0.25.
- Tranche 2 will vest if the Company's 90 Day VWAP up to and including 31 January 2019 is at least $0.30.
- Tranche 3 will vest if the Company's 90 Day VWAP up to and including 31 January 2020 is at least $0.35.

Any performance rights which meet the vesting conditions above will be available for exercise up until the expiry date. On exercise of vested performance rights Company shares may be acquired and held by an Employee Share Trust ('EST') to be established for the purpose of settlement. Shares may be held subject to the EST and the Company's Securities Trading Policy.

## NOTE 34. SHARE-BASED PAYMENTS (CONTINUED)

If the Company provide an EST, the employee can apply to the Trustee to have their shares transferred or sold from the EST, subject to compliance with the Company's Securities Trading Policy.

Set out below are summaries of performance rights granted under the plan:

**30 Jun 2018**

| Grant date | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 01/02/2017 | 31/01/2022 | 1,300,000 | - | (160,000) | (800,000) | 340,000 |
| | | 1,300,000 | - | (160,000) | (800,000) | 340,000 |

**30 Jun 2017**

| Grant date | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| 01/02/2017 | 31/01/2022 | - | 1,300,000 | - | - | 1,300,000 |
| | | - | 1,300,000 | - | - | 1,300,000 |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.58 years (2017: 4.58 years).

***Valuation model inputs***

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 01/12/2017 | 31/07/2019 | $0.320 | $0.350 | 25.00% | 2.00% | 2.50% | $0.0462 |
| 01/12/2017 | 31/12/2019 | $0.320 | $0.450 | 25.00% | 2.00% | 2.50% | $0.0099 |

## NOTE 35. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2018, the Company announced a successful bookbuild raising $5,000,000 of new fully paid ordinary shares. The placement was strongly supported by both existing and new institutional and sophisticated investors where the Company has received commitments for 15,151,515 new shares in the Company at $0.33 per share. The proceeds of the placement will be used to enhance the Company's financial position to support ASX clearing activities and to reduce short-term debt. Refer to ASX announcement for further information.

On 7 August 2018, Tharun Kuppanda resigned as Company Secretary and Hasaka Martin was appointed as Company Secretary.

Apart from the dividend declared as disclosed in note 20, no other matter or circumstance has arisen since 30 June 2018 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, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Garry Crole
Chairman

30 August 2018
Melbourne

William Buck

## Sequoia Financial Group Ltd

### Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Sequoia Financial Group Ltd (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| ASSESSMENT OF CARRYING VALUE OF INTANGIBLE ASSETS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 and 14** | **How our audit addressed it** |
| The Group's net assets include a significant amount of intangible assets.<br><br>Given the intangible assets value, there is a risk that the entities in the Group may not trade in line with initial expectations and forecasts, resulting in the carrying amount of intangible assets exceeding the recoverable amount and therefore requiring impairment.<br><br>The recoverable amounts of the four cash generating units (CGUs) and unallocated goodwill have been calculated based upon on their value-in-use. These recoverable amounts use discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, discount rates applied, long term growth rates and inflation rates.<br><br>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on. | Our audit procedures included:<br><br>— A detailed evaluation of the Group's budgeting procedures upon which the forecasts are based and testing the principles and integrity of the discounted future cash flow models;<br><br>— Testing the accuracy of the calculation derived from each forecast model and we assessed key inputs in the calculations such as revenue growth, discount rates and working capital assumptions, by reference to the Board approved forecasts, data external to the Group and our own views.<br><br>— Engaging our own valuation specialists when considering the appropriateness of the discount rates and the long term growth rates.<br><br>— We reviewed the historical accuracy by comparing actual results with the original forecasts.<br><br>We also considered the adequacy of the Group's disclosures in relation to the impairment testing. |

2

| BUSINESS COMBINATIONS – INTERPRAC LIMITED AND MORRISON SECURITIES | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 and 29** | **How our audit addressed it** |
| The Group acquired Interprac Limited on 1 December 2017 and Morrison Securities Limited on 18 September 2017. These are both considered significant purchases for the Group.<br><br>Areas of complexity for both of these transactions centre around the following:<br>- Accounting and appropriately fair valuing consideration paid or payable for the transactions, including amounts paid through cash, scrip or through loan arrangements;<br>- Identifying and quarantining from the acquisitions remuneration arrangements with the vendors and key management personnel of both businesses (retained by Sequoia at the completion of the acquisitions);<br>- Verifying completion accounting adjustments to the purchase price paid; and<br>- Allocating the intangible assets acquired to the appropriate CGU<br>- Appropriately measuring and classifying in the profit or loss transaction costs relating to the acquisition.<br><br>We note that both purchased businesses as at this reporting date are yet to complete their fair value attribution accounting (for which under Accounting Standards they are afforded 12 months from the date of acquisition), including a) the attribution of provision goodwill calculations to identifiable intangible assets; b) the setting of tax cost bases for calculating deferred tax assets and liabilities; and c) identifying any vendor guarantees or contingent liabilities that may be separately fair valued as part of the business purchases. | Our audit procedures included:<br>— Reviewing the acquisition agreements to understand the key terms and conditions of the acquisitions;<br>— Reviewed remuneration structures for key management personnel of the acquired business to ensure the remuneration is appropriately classified.<br>— Comparing the completion accounting to independent purchase price allocation reports;<br>— Obtain a list of transaction costs related to the purchase and on a sample ensured appropriate treatment; and<br>— Discussed with management their program for ensuring that they complete their analysis of fair values of assets and liabilities acquired by the anniversary of each acquisition date.<br>— Obtained the intangible asset allocation journals processed and reviewed for appropriateness and assessed the independent specialist.<br><br>We also considered the adequacy of the Group's disclosures in relation to the business combinations. |

| REVENUE RECOGNITION FOR SPECIALIST SOLUTIONS INVESTMENTS PRODUCTS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 and 6** | **How our audit addressed it** |
| One of the major revenue streams is through the Specialist Solutions Investments. Sequoia earns revenue by providing a counter-party solution for its clients in their trading of market risks (principally foreign exchange and equities) in medium to long-term derivative products.<br><br>Sequoia effectively on-sells the derivative exposure it has with its clients to Tier 1 investment banks with contracts that completely match that derivative exposure.<br><br>The margin it earns from this arrangement is priced separately and is deferred straight-line over the course of each contract on a gross basis in the financial statements (deferred costs and deferred revenue). The derivative positions, which are held at fair value with changes in fair value through the profit or loss, are also reflected at their gross unhedged values on the statement of financial position.<br><br>From our perspective, the key risks for this arrangement include the following matters:<br><br>- The risk that client-driven derivative exposures are not matched 1-for-1 with wholesale contracts;<br>- The risk of default by the investment banks providing wholesale derivative hedge positions; and<br>- The potential for revenue to be recognised in-advance of the services provided to the client.<br><br>In-addition, Sequoia has commissioned a project to examine the effects which may be relevant upon adoption of the new AASB 15 revenue standard under this arrangement. This is a material disclosure to these financial statements. | — For a sample of structured products, agreed the terms and condition, including but not limited to, interest rates, notional hedged units, product maturity, trade dates and hedge premiums paid to supporting documents such as Products Disclosure Statements, Market-to-Market (MTM) valuations, Market registry allotment reports and bank statements.<br>— We re-calculated the model for deferral and subsequent release of revenue and costs relating to the structured products and investigated any significant differences;<br>— We reviewed the accuracy of the current and non-current classification of deferred revenue and deferred costs.<br><br>We also considered the adequacy of the Group's disclosures in relation to revenue recognition.<br><br>We also reviewed the Group's transition plan to for the new revenue standard AASB 15, including disclosures made in these financial statements. |

### Other Matter

The financial report of the Company for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report on 31 August 2017.

### Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Directors' Responsibilities

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Sequoia Financial Group Ltd, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

**J.C Luckins**
Director

Dated this 30th day of August, 2018

The shareholder information set out below was applicable as at 28 August 2018.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---|---|
| 1 to 1,000 | 156 |
| 1,001 to 5,000 | 58 |
| 5,001 to 10,000 | 33 |
| 10,001 to 100,000 | 115 |
| 100,001 and over | 112 |
| | 474 |
| Holding less than a marketable parcel | - |

## Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SARGON CAPITAL PTY LTD | 13,077,651 | 11.09 |
| UNRANDOM PTY LTD (UNRANDOM DISCRETIONARY TRUST) | 10,461,500 | 8.87 |
| MR GARRY PETER CROLE | 9,873,500 | 8.37 |
| BEETON ENTERPRISES PTY LTD (THE SCOTT & SALLY BEETON A/C) | 9,161,134 | 7.77 |
| SARGON CAPITAL PTY LTD | 7,342,056 | 6.22 |
| COJONES PTY LTD (THE JONES FAMILY TRUST NO 2) | 6,296,500 | 5.34 |
| NATIONAL NOMINEES LIMITED | 3,799,751 | 3.22 |
| TOCLO INVESTMENTS PTY LTD (THE TLC INVESTMENT TRUST) | 3,381,000 | 2.87 |
| PAMELA BEETON INVESTMENTS PTY LTD | 2,586,063 | 2.19 |
| MR PETER STIRLING + MRS ROS STIRLING | 2,237,500 | 1.90 |
| RUFFY STEEDEN LEGACY PTY LTD (RUFFY STEEDEN LEGACY SUPERANNUATION FUND) | 1,886,500 | 1.60 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,763,480 | 1.50 |
| VALUEAD PTY LTD | 1,538,462 | 1.30 |
| MR ANTHONY CHRISTOPHER JONES | 1,470,000 | 1.25 |
| TIBARRUM PTY LTD (PAUL ROBINSON FAM S/F A/C) | 1,251,093 | 1.06 |
| VONETTA PTY LTD (TRBC S/F A/C) | 1,193,238 | 1.01 |
| TIBARRUM PTY LTD (PAUL ROBINSON FAM S/F A/C) | 1,143,907 | 0.97 |
| COJONES PTY LTD (JONES FAMILY NO 2 A/C) | 1,047,066 | 0.89 |
| MR ROGER C COTTON + MRS JUNE COTTON | 1,000,500 | 0.85 |
| DS VENTURES PTY LTD | 969,129 | 0.82 |
| | 81,480,030 | 69.09 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 5,500,000 | 3 |
| Performance rights | 340,000 | 6 |

## Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SARGON CAPITAL PTY LTD | 13,077,651 | 11.09 |
| UNRANDOM PTY LTD (UNRANDOM DISCRETIONARY TRUST) | 10,461,500 | 8.87 |
| MR GARRY PETER CROLE | 9,873,500 | 8.37 |
| BEETON ENTERPRISES PTY LTD (THE SCOTT & SALLY BEETON A/C) | 9,161,134 | 7.77 |
| SARGON CAPITAL PTY LTD | 7,342,056 | 6.22 |
| COJONES PTY LTD (THE JONES FAMILY TRUST NO 2) | 6,296,500 | 5.34 |

## Voting rights

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## Restricted securities

There are no restricted securities on issue.

## Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|---|---|---|
| Ordinary shares | 1 December 2018 | 32,082,751 |

Corporate directory



| | |
|---|---|
| Directors | Scott Lionel Beeton<br>Garry Peter Crole<br>John Larsen |
| Company secretary | Hasaka Martin |
| Registered office | Level 7<br>7 Macquarie Place<br>Sydney NSW 2000<br>Telephone: + 61 2 8114 2222<br>Facsimile: + 61 2 8114 2200 |
| Share register | Registry Direct<br>Level 6<br>2 Russell Street<br>Melbourne VIC 2000<br>Telephone: 1300 556 635<br>Facsimile: +61 3 9111 5652 |
| Auditor | William Buck<br>Level 20<br>181 William Street<br>Melbourne VIC 3000 |
| Bankers | National Australia Bank<br>330 Collins Street<br>Melbourne VIC 3000 |
| | Westpac Australia Bank<br>Royal Exchange, Cnr Pitt & Bridge Streets<br>Sydney NSW 2000 |
| | Maldon & District Community Bank® Branch of Bendigo Bank<br>81 High Street<br>Maldon VIC 3463 |
| | Commonwealth Bank of Australia<br>Level 20, Tower 1 Collins Square<br>727 Collins Street<br>Melbourne VIC 3008 |
| Stock exchange listing | Sequoia Financial Group Limited shares are listed on the Australian Securities Exchange (ASX code: SEQ) |
| Website | www.sequoia.com.au |

## Corporate Governance Statement

The Board of Directors of Sequoia Financial Group Limited is committed to maintaining high standards of Corporate Governance. This Corporate Governance Statement discloses the extent to which the Company has followed the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles and Recommendations').

The Corporate Governance Statement adopted by the Board can be found in the Company's Corporate Governance section:

www.sequoia.com.au/about-sequoia/corporate-governance/