infocus

ANNUAL REPORT

2022

INFOCUS WEALTH MANAGEMENT

ABN: 28 103 551 015

About Infocus

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

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

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

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

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

We set the bar much higher.

Delivering on our vision

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

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

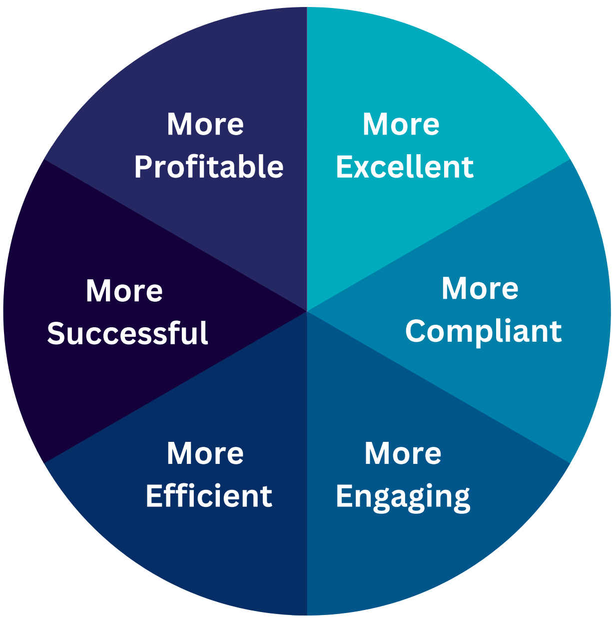
We're unique in our peer group, as not only do we have a 'best practice' Advice component as part of our offering, but also a 'best practice' Infrastructure component including governance, investment management and financial technology. We offer flexible solutions in an era where so many elements of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

We haven't arrived at this position by accident - we've been building the foundations for 28 years, and over the past five years our focus on reaching this position has been laser sharp.

We are here and we're playing a bigger game.

Delivering on Advice Excellence

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



Key Operations

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

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

Advice is also provided via our Business to Business "B2B" advisory network, comprising 105 practices across Australia, who are licensed and supported under the Infocus AFSL service offering.

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

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

Advice

infocus advisory

B2C

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

B2B

- National network and community of 105 advisory practices
- Driver of scale via Infocus label, White label, Grey label (TBA)
- AFSL Services

Infrastructure

infocus wealth management

Governance

- Regulatory
- Legal
- Compliance
- Finance
- HR / People
- A beneficiary of scale

alpha Investment Management

Research

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

PLATFORM+ WEALTH MANAGEMENT SYSTEM

Fin Tech

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

Results Summary

	FY2022 ($,000)	FY2021 ($,000)	FY2020 ($,000)	Change from FY2021 (%)
Gross Revenue	**$73,250**	**$69,609**	**$66,160**	**5%**
Brokerage payments and related costs	$(58,857)	$(53.621)	$(48,155)	10%
Net Revenue	$14,393	$15,988	$18,005	-10%
EBITDA	$292	$2,545	$3,068	-89%
less other income	$(311)	$(547)	$(249)	-43%
Operating Profit	$(19)	$1,998	$2,819	-101%
less interest	$(786)	$(818)	$(890)	-4%
less depreciation and amortisation	$(1,744)	$(1,727)	$(1,864)	1%
less impairment	Nil	$(147)	Nil	n/a
NPBT	$(2,549)	$(694)	$65	n/a
NPAT	$(3,775)	$(589)	$64	n/a
EPS	$(0.09)	$(0.01)	$0.00	n/a

	FY2022	FY2021	FY2020	Change (%)
FUA	$9.0b	$8.5b	$7.2b	6%
RPUA	$122.0m	$125.6m	$104.6m	-3%
Advisory Practices	105	112	113	-6%
No. of Advisers	182	180	179	1.0%

Annual Achievements

Strategically, our priorities for FY2022 revolved around our intention to 'Play a Bigger Game'.

We prioritised the execution of major initiatives such as PlatformplusWRAP, Operational Excellence, the finalisation of the Business Health Check ("BHC"), and the continued renovation of the Alpha funds. We also sought greater scale through determined yet disciplined growth, in both the quantity and quality of the advisers and businesses under our AFSL.

PlatformplusWRAP continued to be an enormously significant undertaking both internally, and with FNZ, and importantly we were able to launch a viable solution to our salaried advisers (B2C) in April, with B2B scheduled for July. As with any project of this magnitude, teething problems are being experienced, but the commitment and support across the business and the broader network to what we are endeavouring to achieve, remains firm. Further development of PlatformplusWRAP to enhance functionality, usability and integration with the broader Platformplus system, will continue to be a priority in FY23.

Operational Excellence was also launched to run in parallel with the existing Advice Excellence initiative. Operational Excellence focuses on maximising the potential that efficient, systemised back-office functions and personnel have to support the effective, profitable delivery of advice. An Operational Excellence Collective ("OEC") was also created to group the leading Office Managers and Customer Service Officers (CSO) across the network (including both B2B and B2C) to ensure the functionality which currently exists in Platformplus is used to its full capacity, as well as driving the further development of the system in line with the needs of our leading practices. Operational Excellence also provides a new way to promote Platformplus to the industry, as well as a structure to engage advisers in the systemisation (and potentially, in the future, the grouping together or "roll up") of their back-office functions.

In contrast to previous years, the torrent of regulatory change slowed as a result of the Federal Election in May 2021. This allowed for the finalisation of the Business Health Check (BHC), and the opportunity for advisers to be supported in implementing the necessary changes in their practices.

COVID-19 continued to provide challenges and limited face-to-face engagement across our national team, as well as with our existing advisory network and potential new recruits. However, it also forced us to be more innovative in finding new ways to connect with one another, and share content effectively via virtual mediums. Accordingly, we were still able to target our network growth objectives albeit in different ways than previously. Developing an understanding of how to manage the ongoing impact of COVID-19 provided a more stable backdrop for our activities and allowed us to more confidently plan for the future.

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

Growth

- Adviser numbers grew by 1% to reach 182 across our advisory network.
- Total office numbers reduced (-6%) from 112 to 105, reflecting our efforts to recruit and retain more substantiative businesses, in addition to some attrition at the lower end.
- Gross revenue increased by 5% to $73.3 million.
- Funds under Advice grew by 6% to $9.0 billion.
- Risk premiums under Advice decreased by 3% to $122.0 million.

Operational Excellence

- Significant development on the PlatformplusWMS (Wealth Management System) ecosystem, including the launch of PlatformplusWRAP and its interface to PlatformplusAMS (Advice Management System).
- The successful renegotiation of the group's professional indemnity insurance in an extremely difficult market at no overall increased cost to advisers.
- Significantly improved compliance audit results across the network (75% of advisers receiving a rating of four stars or above (out of five).
- 180 advisers have now successfully passed the FASEA ethics exam, and only two remaining advisers intending to re-sit.
- Continuous improvement of the new office onboarding process as we improve the efficiency and effectiveness of transitioning large offices to PlatformplusAMS.

Trust and Teamwork

- We successfully managed the impact of COVID-19 lockdowns and isolation requirements, and now have all staff either fully back in the office or on suitable hybrid arrangements.
- Ensuring the best possible fit between our people and their responsibilities, and furthering their professional development, we have been able to achieve more in terms of our existing service requirements, as well as new projects, utilising mostly existing team resources.
- We have increasingly promoted from within for emerging new roles, rather than recruiting externally, creating longer term career prospects for our existing staff, as well as making better use of current resources benefitting both the team member/s and Infocus.
- We have also focused on more effective, and more proactive, cross-team collaboration for major initiatives thereby increasing the commercial value of our existing skill base.

Partnerships

- Despite the impact of COVID-19 on our highly valued in-person engagement program, we managed to deliver several events throughout FY2022 including the Infocus National Roadshow (October) and numerous state based peer-to-peer programs. In addition, we doubled the regular program of Alliance Partner professional development webinars (to two per month), however we were unable to deliver both our annual national conference, iCON and the Business Leaders Forum, due to the pandemic.
- The Infocus Adviser Council continues to operate effectively, both to help guide the internal development initiatives across the business (inc. Platformplus), as well as share relevant information back to the network, where appropriate.
- Operational Excellence (and the Operational Excellence Collective) continues to be a significant project across the business and throughout the network, helping to drive greater use of Platformplus, more targeted development of the system, and more effective training and support systems for advisers and their operational staff. The 'Collective' continues to prove a valuable grouping of the leading operational staff members across the network.
- Our Alliance Partner program continues to be well supported within the industry, and we have retained excellent ongoing participation from our key partners throughout the period, albeit in many ways more challenged than ever before with increased regulatory pressures and the inability for us to deliver in person events.

Chairman's Report

Dear Shareholder

It has been a common theme for the past few Annual Reports that I have commented on the difficult operating environment in which our Company and the broader industry find themselves, and then gone on to address how the board and management team are dealing with the challenges being thrown up.

This year is no different, and whilst the reported bottom-line result is the worst that we have had to report on during my time as Chairman, I am also pleased to report that the prospects for your Company have never looked better. In last year's report I said:

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

Following the departure of the banks from the advice industry and the mass exodus of advisers who were disenchanted with the overly prescriptive approach to advice delivery and higher education requirements, the politicians finally appear to understand that good financial advice is becoming less and less affordable for Australians. Politicians, media commentators, and industry participants are all pointing to the necessity of harnessing technology to deliver affordable advice at scale. Consensus is also developing in the industry that robo-advice will not work on its own, and that the preferred strategy is to better communicate with clients through on-line portals and platform services, and equipping advisers with the most efficient advice generation and delivery tools.

The benefits to both advisers and their clients of managed account solutions are being widely touted. Advice firms are buying platforms, and platform providers are acquiring advice practices. Infocus is now in a position to deliver on all of these fronts. The development of our own PlatformplusWRAP solution in conjunction with partner FNZ has taken longer than we had planned, but we believe that it was important to get it right and to make sure that it properly supports everything that we are trying to do with managed accounts.

Overview of the 2022 Financial Year

As highlighted in last year's Annual Report, and at the AGM in December, one of the most significant adverse impacts on our Company from the fallout from the Hayne Royal Commission is the loss of revenue from external platform providers. Losing an entire revenue stream of approximately $3 million per annum has taken a heavy toll on our result. We are confident that PlatformplusWRAP will more than make up for this over time, but these revenues will have to build slowly from scratch.

Other factors that weighed on our performance in FY2022 include:

- Additional losses from AFCA reopened legacy claims that had been disallowed under the previous ombudsman regime;
- Higher than warranted remediation costs paid to clients who had been quite happy with the services they had received;
- The early exit from the industry of a number of advisers as a result of the increasingly prescriptive requirements for advice delivery and higher education;
- The impact of falls in financial markets as a result of COVID-19 flow-on effects and the war in Ukraine; and
- The flow on effect to Alpha investment revenues from the delays with the completion of PlatformplusWRAP

Importantly, during this annus horribilis for our reported profitability, we have retained the support of our corporate bankers, Westpac. They understand our business and are supportive of our approach to invest in Platformplus (and in particular WRAP), and in March 2022 provided access to an additional $5 million by way of a 10-year facility under the Australian government's SMERLS program.

These funds were partially used for the early redemption of the Company's three year convertible notes, with $2,037k paid to noteholders who elected to redeem for cash. The remaining $2,045k of noteholders elected to convert their notes to ordinary shares at the special rate of 2.62 ordinary shares for each $1 note.

Corporate Governance

This has been another very busy year for your Board of Directors with nine meetings held throughout the year to 30 June 2022, and a further 11 sub-committee meetings held during the year. I am pleased to advise that a very diligent and healthy Board achieved a 100% attendance (67 out of 67 invites) for these meetings. I would like to thank all of my fellow directors for their hard work and support through the year.

There were a number of sales of shares between existing shareholders during the past year, and you are therefore most likely aware of the convoluted offer process that has to be followed where a shareholder seeks to sell to an existing shareholder. The Board of Directors do not believe that this requirement serves any useful purpose, and a motion will therefore be proposed at the forthcoming AGM to remove the relevant sections from the Company's Constitution.

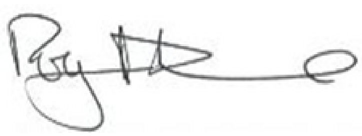
In accordance with good corporate governance, we put the Group's external audit requirements out to tender in late 2021 resulting in the appointment of KPMG as the new audit firm. On behalf of Jon Hubbard, the Chair of our Audit & Risk Committee, I would like to thank Bronwyn Lovell of KPMG and her team for the thorough and professional approach to this year's audit work.

People

The past year has been a challenging one for our Company, the industry we operate in, and the broader community as we dealt with significant industry change whilst continuing to deal with the impact of the COVID-19 pandemic.

The short-term reduction in net revenue and the consequential impact on profit has meant that we have had to look to save costs wherever we can, and given the importance of delivering on strategic initiatives, this has necessitated in us "trying to do more with less". It is a credit to Darren and his team that our people have shown great professionalism and resilience through the past year and stepped up to help deliver the necessary systems, processes and services to enable us to go forward and grow the business by providing the very best services to our advisers and end clients, and I would therefore like to offer a heartfelt thanks to all our team around the country.

On behalf of the Board, I would also like to extend thanks to our Managing Director Darren Steinhardt for the energy, passion and dedication that he continues to put into the role. The Board is confident that the business is pursuing the appropriate strategies to meet the challenges it faces, and has the right people to be able to execute on these strategies.



Roy McKelvie
Chairman

Managing Director's Report

I'm pleased to present my report to shareholders for the financial year ending 30 June 2022 ("FY2022").

In each of my reports to you from FY2018 to FY2021 I have commented on change. My report this year follows a similar theme, although positively I am pleased to report that the change of the past five years has begun to settle and we're seeing the beginning of our new normal.

Five years ago, no one could have possibly foreseen the unprecedented level of turmoil that would take place in the financial advisory profession and to the accompanying industry participants. Since December 2017, this turmoil and the ensuing changes have seen financial adviser numbers reduce by -8,967, representing a contraction of - 35.6% (source: Wealth Data); it has driven the exodus of banks and the less professional participants from the sector; it has forced change in operational and commercial models; it has ended businesses reliant on legacy and outdated practices and laid the groundwork for the rise of the new profession. The journey over this period has affected all Infocus stakeholders, including our team members, each of the financial advisers operating as authorised representatives within our national advisory network, and of course you, our shareholders.

The regulatory headwinds that have plagued us for the past five years are momentarily paused and this has provided a welcome opportunity to accelerate our focus on business development. We expect this pause to be short-lived, with regulatory headwinds to soon resume and continue for some time yet.

This pressure of journey, whilst throwing up myriad change and challenge, has also driven innovative and creative thinking which in turn has led to the ongoing evolution of Infocus into a highly regarded and multi-faceted financial advisory company. The ongoing execution of our 'Playing a Bigger Game' strategy is taking hold with the benefits of our Advice Excellence and Operational Excellence programs materialising within each of our three operating divisions. This 'Playing a Bigger Game' strategy has also seen the company expand its influence and opportunity set across a broad cross-section of the financial advisory community beyond Infocus, and this will yield solid commercial results in the near term.

During FY2022 we continued our record of year-on-year growth.

We've welcomed a solid number of exceptional new financial advisory firms into our community and this augurs well for future success. However, while we were one of only a handful of industry participants of scale to achieve positive growth, this growth was below the target we had set for ourselves. This was predominantly a result of exits from the industry of those advisers who have struggled to meet the stricter education requirements, as well as the exit of those advisers who were struggling to see a way to achieve a sufficient return from providing advice at an affordable price whilst meeting all of the prescriptive regulatory guidance.

While we achieved positive growth, the financial results for FY2022 bore the full impact of the cessation of 'grandfathered' and 'conflicted' remuneration, along with the discontinuance of platform distribution fees, the continued increased costs associated with dealing with the regulatory requirements of the Hayne Royal Commission, and the finalisation of AFCA re-opened legacy claims for compensation (most dating back to advice given over 10 years ago).

Importantly, the technology and infrastructure strategy we formulated a couple of years ago to take control of our own destiny by building our own platform ('PlatformplusWRAP') has been proven to be absolutely the right thing to do. This strategy will enable us to build strong platform revenues and grow our investment management revenues whilst delivering leading outcomes for advisers and their clients. It's taking a bit longer to get PlatformplusWRAP in place than we would have liked, but it's important that we take the time necessary to get this right. One of the critical pieces of platform functionality that we are taking great pains to get right relates to managed accounts; this is another key plank in our strategy and one which will deliver significant efficiency gains for our advisers. I've provided further detail on these critical strategies below.

We closed out FY2022 with our Advisory Network and Funds under Advice at record highs, with Funds under Management and Software Users close to record highs, and the commencement of the rebuilding phase of Funds under Administration. Off the back of our ongoing Business Health Checks, our business is clean. We have the best team we've ever had. Our only legacy issues remaining are the ones we chose to litigate. We've worked hard over the last 5 years to get to this point.

There remain a few challenges ahead for the profession and industry participants, the most significant being the industry structure and the future of the AFSL regime. Regardless of what the future holds, there is a large and growing demand for financial advice. Financial advisers need the infrastructure and services we provide, and most importantly financial advisers value the community and support that comes with being a part of the Infocus network.

We are now, finally, back in the driver's seat.

Our Operating Environment

Since Kenneth Hayne QC handed down his final report and findings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in February 2019, there has been considerable dislocation in the industry. The major banks have all but left, AMP has seen a massive drop in their market share, and the number of licensed advisers has fallen from 25,185 in December 2017 to just 16,218 as at June 2022 (source: Wealth Data). The increased level of regulatory prescription over how advice must be delivered, together with the significantly lower number of licensed advisers, has not surprisingly seen the cost of advice increase substantially, making it unaffordable for the vast majority of Australians who need it.

The compliance pendulum has swung too far!

The political response has been to appoint yet another lawyer to oversee yet another review, and we are now awaiting the final recommendations (due in December 2022) from Treasury's Quality of Advice Review chaired by Michelle Levy. The opening paragraph from her interim report (Consultation Paper – Proposals for Reform) indicates that she does indeed recognise the problem:

"We have been told that the difficulty and burden of complying with regulation is impeding access to financial advice. It prevents many financial services providers providing simple advice and assistance to their customers; it inhibits the development of digital advice tools; and, it has made comprehensive advice unaffordable for many people. Advisers have left the industry and are not being replaced and when consumers do get financial product advice, they are given documents they do not want and rarely read. I accept that all of these things are true. It is also true that removing regulatory requirements could make it much easier for the industry to provide financial product advice and to provide that advice at a lower cost. However, accessible and affordable advice is only worthwhile if the advice is good advice."

The high-level proposals in the Consultation Paper, if implemented, will help simplify the delivery of personal financial advice by introducing a "good advice" duty to replace four current obligations, and by removing some of the prescriptive requirements for Statements of Advice and fee disclosures. It proposes to remove the legal definition of general advice, but still contemplates that simpler advice will be provided by digital means.

The simplification of advice documents and disclosures will reduce the cost of providing advice which, in addition to providing some much-needed pressure relief on margins, will make it possible to provide affordable advice to a larger number of customers. We believe that the PlatformplusWMS (Wealth Management System) ecosystem will enable us to efficiently serve a larger number of clients, including the provision of low cost, low touch services to younger clients who are in the earlier stages of accumulating their wealth.

The biggest challenge (and opportunity) for financial advisers today is to deliver appropriate advice to the Australian baby boomers who are expected to retire over the next seven years. This will be the richest generation of retirees in history. These baby boomers are going to need advice on how to best manage their finances in retirement phase, and to meet this demand advisers are going to need the available automated systems to help them deliver the advice as effectively and efficiently as possible. We're well-placed to meet this need with PlatformplusAMS (Advice Management System). To enable advisers to concentrate the majority of their attention on strategy and their clients' needs, they are best served by using efficient, transparent and digitally assisted investment solutions such as managed accounts. PlatformplusWRAP and the Alpha suite of managed funds, SMAs and bespoke portfolio solution will meet these needs for advisers and their clients.

These trends have already played out in the UK and the USA where the advice industry has already come up against, and dealt with, the same regulatory and advice delivery issues. They have had success by digitising their advice processes, simplifying their platform strategies and adopting managed accounts as preferred execution and portfolio solutions. Infocus is well placed to deliver these solutions to the Australian market.

Delivery on FY2022 Priorities

The priorities we set for the business revolved around effective long-term control of our own destiny, and to enable our continued focus on advice and operational excellence, in addition to sustainable growth. The priorities that we set for ourselves for FY2022 and the results are noted below:

- Continuation of the Advice and Operational Excellence Programs – Advice Excellence has continued as an underlying theme to activities which span the ongoing development of the PlatformplusWMS ecosystem, the Best Tactics and Best Practice groups via the Infocus Adviser Council, and the evolution of the Business Health Check into the 'new normal' phase. Operational Excellence has taken front and centre this year, with the Operational Excellence Collective (the group of the leading back-office personnel across the advisory network) taking a prominent role with advanced Operational Excellence workshops and 'live/priority' support, more advanced training material, plus direct input into the development cycle and new-functionality releases from PlatformplusWMS.

- Continued Growth of B2C and B2B – there were a number of changes to the B2C financial planning team during FY2022 with three advisers exiting and one opting to purchase his clients and become a self-employed (B2B) adviser. Two new advisers joined the team and there was some reallocation of clients, including the taking on of responsibilities for servicing a number of clients from B2B advisers who exited the advice profession during the year. The priority has been on minimising the disruption to any clients who may have had a change in adviser during the year, with growth initiatives postponed in the short-term.

We have enjoyed success in recruiting some excellent new advisers to our B2B panel, with 26 new advisers being appointed during the year to 30 June 2022, and a further 23 committed at that date who will transition to the Infocus AFSL during the current year. Revenue from financial advisory services grew by 5% to $69.7 million during the year.

- Renovation of the Alpha Funds – The eight former specialised unit trusts have now been reorganised into four broader based managed funds that match the philosophies of the risk-based model portfolios maintained by the Alpha investment team, namely “Moderate”, “Balanced”, “Growth” and “High Growth”. This is consistent with the choice offered by the diversified separately managed accounts (“SMAs”), which have proven to be very popular with advisers and their clients. Funds invested in Alpha Funds and SMAs grew by $4.2m or 1% during FY2022 despite a significant fall in investment markets in the second half.

- Enhancement of PlatformplusWMS – We have kept up the pace of continuous improvement to PlatformplusAMS with new functionality to improve the advice process, including ADS (Advice Development Snapshot) and Modular Fact Find, changes to ensure our advice is delivered in accordance with FASEA introduced requirements, and a complete overhaul of the menu structure to make it easier to navigate as well as looking more contemporary. Further, we have upgraded PlatformplusRMS (Revenue Management System) and introduced new governance and oversight capability in PlatformplusCAMS (Compliance and Audit Management System).

- Launch of PlatformplusWRAP – the Platform went live on 23 March 2022 for use by B2C advisers as early adopters and to iron out any wrinkles. A number of additional upgrade releases have been made since, with Release 8.0 scheduled for November 2022 to deliver the much-anticipated functionality we believe is appropriate for the efficient delivery of managed account solutions.

- Developing Potential for Services to External AFSLs – with PlatformplusWMS now offering a platform solution (WRAP) that is integrated with the Advice Management System (AMS), and which offers managed accounts as the preferred method for delivering efficient investment solutions, we are now attracting interest from external AFSLs, and expect to enter contractual relationships for the provision of services before the end of FY2023.

Financial Results

FY2022 was another year that saw our results significantly impacted by events of the past. Our business has been growing, and getting better, but our results continue to be dragged down by historical issues and matters outside of our control.

The following table summarises our results over the past three years:

	FY2022 ($,000)	FY21 ($,000)	FY20 ($,000)	2 year movement
FUA	$9.0b	$8.5b	$7.2b	25%
No. of Advisers	182	180	179	2%
Gross Revenue	$73,250	$69,609	$66,160	11%
Net Revenue	$14,393	$15,988	$18,005	-20%
EBITDA	$292	$2,545	$3,068	-90%
NPAT	$(3,775)	$(589)	$64	

We have held our adviser numbers steady over the past 2 years in a period that has seen a mass exodus and an industry contraction of 24.2% (source: Wealth Data). The advisers who have joined us have mostly had larger practices than the ones we have lost, and together with the remaining offices have enabled us to grow gross revenue by 11% over that period and Funds Under Advice by 25%. This is strong growth over a period where activity was significantly curtailed as a result of COVID-19 and the need to focus on additional regulatory requirements, and shows the quality and resilience of Infocus and its adviser base.

Whilst the underlying business has demonstrated resilience, corporate earnings have taken a significant hit from the fall-out from the Hayne Royal Commission. In particular, revenue from external platforms fell from $3,767k in FY2020 to $745k in FY2022. This represents the loss of more than $3million in net revenue that flows directly to the bottom line, and is due to factors completely out of our control. The establishment of our own WRAP platform gives us greater control of our own destiny in this regard, but it will take time to replace this lost revenue.

Our net revenue over the past two years has reduced by $3,612k, largely due to the above, but was also significantly affected by the disruption to advisers by both the COVID-19 pandemic and the need to comply with a raft of new regulatory requirements.

This year's bottom line was also impacted by claims and remediation expenses of $550k, the majority of which relates to the finalisation of AFCA re-opened legacy claims that had been rejected by the previous industry ombudsman, and which related to advice given 10 or more years ago. There are no remaining unresolved claims of this nature.

Excluding the brokerage payments passed through to advisers for servicing their clients, our operating expenses have reduced over the past two years from $15,186k to $14,412k (saving of 5%) as we have worked hard to minimise expenses during this period in view of the external impacts on net revenue. The biggest component of these expenses is employee remuneration which we have limited to a 2% increase over the past two years to $9,593k. We have been trying to "play a bigger game" primarily with the resources that we already had.

We made a net loss after tax of $3,775k for the year ended 30 June 2022. This was after a tax expense for the year of $1,226k despite making a loss before tax. This was as a result of the Group electing to take advantage of "temporary full expensing rules" allowing it to claim an up-front deduction for the cost of the development of PlatformplusWRAP. Whilst this negatively impacts the reported result for this year, it will unwind by reducing tax expense in future years and is cash-flow positive as it will delay the date at which the Group will recommence paying tax to the ATO on future profits.

The Group continues to enjoy the support of its bankers (Westpac) through this challenging period whilst we rebuild our platform revenues. In March 2022 Westpac approved an additional $5 million in borrowings (to be repaid over 10 years) under the Australian Government's SME Recovery Loan Scheme (SMERLS), and on 3 May 2022 we used $2,037k of this funding on the early retirement of Convertible Notes. The holders of the remaining $2,045k of Convertible Notes elected for their Notes to be converted to ordinary shares. The remainder of the SMERLS funding is being used to fund investment in our core IT systems, including PlatformplusWRAP.

The Group is currently litigating against a number of former employees and business partners for breach of employment and other contractual obligations. Our legal advice is that we have very strong cases against these parties, but we have made no financial recognition of any potential benefits that may flow. We have been expensing our costs in these matters as they are incurred.

Our Strategy and the Year Ahead

I'm still confident in the future of the financial advisory profession, but what I am even more confident of is that Infocus is far better placed than most for future success. The platform and investment management strategies that we have been developing for the past two years are now being espoused by respected industry participants as the key to providing advisers with the tools they need to efficiently deliver best practice advice to their clients. Use of managed accounts and digitisation of the advice process are the most common catch-cries of what is considered necessary to deliver affordable advice and still turn a profit.

Being able to offer suitable ESG (environmental, social and governance) compliant investment solutions to those who want them is also considered necessary for both financial advisers and investment managers to be able to successfully meet the needs of their clients. This functionality is already built in to our investment portfolio management processes, including providing advisers with all the relevant communication tools to be able to effectively engage with their clients on this subject.

Our immediate priorities for FY2023 include:

- The continuation of the roll-out of PlatformplusWRAP. This is expected to accelerate in the second half of FY2023 on the back of additional functionality scheduled for release in November 2022.
- Leverage off the functionality in PlatformplusWRAP (including its integration with PlatformplusAMS) to enhance the volume of funds flowing into our highly effective and efficient implemented portfolio solutions, including the new Alpha suite of portfolios, which now includes:
    - Four diversified Alpha funds (Moderate, Balanced, Growth and High Growth);
    - Four new diversified Alpha Separately Managed Accounts ("SMAs") based on the same investment portfolio risk profiles (Moderate, Balanced, Growth and High Growth);
    - Five new passive (indexed) series of SMAs;
    - A new SMA focused on the generation of income, and
    - Bespoke portfolios for those advisers where this is an appropriate solution.
- Obtain an "investment grade" rating for the Alpha investment management team from a respected external ratings house.
- Leverage our exceptional risk management framework and claims history to deliver enhanced professional indemnity solutions to our advisory network and select partners.

Playing a Bigger Game

You have all heard me talk before about our intentions to "Play a Bigger Game". The development and launch of PlatformplusWRAP and its integration with our CRM and advice generation system PlatformplusAMS means that we are the only licensee in Australia that has a full end-to-end system solution including client management, advice generation with workflow management, integrated platform/investment implementation, compliance reporting and traffic lights, online client portal and revenue management (brokerage).

This will enable all of our aligned advisers to play a bigger game by using the system efficiencies to enable them to service the increasing number of Australians who need advice.

We have also received interest from other AFSLs regarding access to our WRAP platform, investment portfolio management services and Platformplus AMS. This has the potential for us to PLAY A MUCH BIGGER GAME.

It is worth looking at the potential opportunities from both of these sources:

- Growing Demand for Advice - There are currently approximately 10.7 million Australians aged 40 or over. Of this number, 2.9 million are estimated to be categorised as "mass affluent" and a further 1.6 million as "core affluent". It is also estimated that approximately only 20% of this cohort currently receive financial advice. Our advisers are very good at getting referrals from happy clients, so if we can free up their time to service more new clients there is a large untapped demand to target.
- Other AFSLs – There are currently approximately 2,000 AFSLs in Australia who collectively have just under 16,000 licensed advisers. In addition to the potential to recruit some of these licensees to our AFSL (where we believe there is a good cultural fit), we are able to offer access to one or more of our technology-driven solutions to AFSLs of all sizes. This will enable us to profit from economies of scale on those services without having to take on the responsibility (and risk) for the advice they provide to their clients.

Our Culture of Partnership

The genuine spirit of partnership at the heart of the Infocus culture also provides us a distinct point of difference and competitive advantage in the financial services industry.

Whilst our self-employed advice offices come in all shapes and sizes, I have seen a more homogenous culture develop over the past five years since I took back the reins as Managing Director. The advisers that have thrived over that period are primarily the ones that have made best use of our systems and have always strived to provide the very best (and compliant) advice to their clients. The advisers who have left us during that time (other than those who have retired) have generally been those that were less successful and/or wanted to take short-cuts in their approach to delivering advice.

We seek to harness the best ideas and work-practices of our smartest advisers through the work of the Adviser Council, and also their best and brightest back-office personnel through the Operational Excellence Collective.

We also have plans to capitalise on the strength of this culture and co-operation by introducing a partnership model, where we will foster much stronger levels of consistency of approach and co-operation through shared resources. We foresee that in time this partnership model will result in robust engagement, and lead to an advisory and operational franchise that will drive material benefit for not just the Infocus stakeholders, but for the broader advisory community.

Regardless of whether you are one of our 88 team members nationally, one of our ~180 financial advisers or adjacent service providers (across Lending, Accounting, Tax, or Operations), or one of our industry Alliance Partners, we seek to create win-win commercial relationships that benefit both parties, and that importantly, have our mutual end client at the centre.

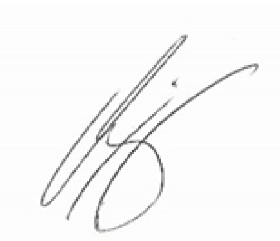
The stronger our culture, our team, and our broader advisory network becomes, the more we also value the retention of those people, advisory practices and relationships. We have been increasingly proactive in the retention of key team members and fostered greater opportunities for internal promotions rather than external recruitment. Cross-team collaboration has also played a more prominent role in the success of our major initiatives and we have increasingly worked closer than ever before with each of our advisory practice partners who are looking to grow their own footprint in line with our shared objectives.

All of the team worked especially hard over the past 12 months, in what were at times difficult conditions as a result of ongoing COVID-19 impacts, the post-pandemic restrictions, and the adjustments we have each had to make to accommodate the 'new normal'.

I continue to enjoy the responsibilities, challenges and opportunities in leading this wonderful business and am genuinely excited about the near term as the fruits of our labour of the past four years come home. I'm frustrated that our financial results do not yet reflect the significant efforts in growth and in repositioning the business for success in this post-Hayne world, however rest assured these results will come.

I would like to thank the Board for their ongoing support and counsel, my Executive team for their commitment to our journey, the entire team for their efforts each day, each adviser in our community with whom we have the pleasure of partnering, and our shareholders for their patience as we continue the process of the reinvention of Infocus.

As your Managing Director I continue to commit myself and our team to deliver on our promise each and every day.



Darren Steinhardt
Managing Director
Infocus Annual Report 2022

Infocus Wealth Management Limited

and its controlled entities
ACN:103 551 015

Annual Financial Report for the year ended 30 June 2022

Contents

The registered office and principal place of business is:

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

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Infocus Wealth Management Limited (referred to hereafter as "Infocus", the "Company" or the "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Principal Activities

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

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

Review of Operations

The loss for the Group after income tax was $3,775k for the year ended 30 June 2022 (2021: $589k loss).

Whilst total revenue for the year increased by 6% to $76,654k (2021: $72,365k), the growth was primarily from advice services provided by self-employed advisers with the majority of this income being paid out to the servicing advisers as brokerage.

The reduction in profitability compared to the year ended 30 June 2021 was primarily as a result of the loss of revenue from investment product providers. This included $418k of "grandfathered commissions" that were banned and removed as a result of recommendations from the Hayne Royal Commission, and the loss of a further $597k in distribution fees that although not outlawed were nevertheless discontinued by the product provider counterparties.

In addition to this reduction in revenue, the results for the year to 30 June 2022 were also significantly impacted by claims and remediation costs. Completion of the Group's "Business Health Check" into the delivery of services to some clients on ongoing service arrangements, remediation payments to clients of a former self-employed adviser and finalisation of previously time-barred claims that were reopened by AFCA resulted in the recognition of an additional $550k in expenses for the year.

The Group has moved on from these "legacy" issues that have been impacting results for the past 3 years and has made significant progress in the following areas:-

- The proprietary new investment administration solution PlatformplusWRAP went live in late March 2022 and $120k in revenue associated with this new service was recognised in the year to 30 June 2022;
- The recommendation of managed accounts solutions continues to grow in popularity with advisers as they come to understand the significant benefits associated with these accounts, and this has resulted in 16% increase in funds in the Alpha managed SMA's to $382 million for the year to 30 June 2022;
- The eight Alpha unit trusts were restructured during the year, and now provide a more contemporary solution for clients based around the Infocus investment philosophy with the funds now aggregated into 4 separate offerings, namely "Moderate", "Balanced", "Growth" and "High Growth". It is expected that these repurposed funds will attract significant new funds as a result of usage of PlatformplusWRAP;and
- All of the AFCA legacy claims have now been resolved, and the Group does not currently have any active claims that are likely to exceed the professional indemnity excess level of $30k per claim.

The Group has made the decision to take advantage of the "temporary full expensing rules" announced in the 2020/21 Federal budget which allows full deduction of the cost of eligible depreciating assets acquired after 6 October 2020 and first used or installed by 30 June 2022 (subsequently extended to 30 June 2023) by claiming a tax deduction for the full cost of PlatformplusWRAP as well as some eligible hardware purchases. This has led to a significant reported tax expense for the year ended 30 June 2022, but the expectation is this incentive from the Federal budget will assist to minimise tax payments and lower tax expenses in the next few years as the Group returns to profitability.

The decline in profitability outlined above has also had an impact on cash flows. Net cash from operating activities for the year fell to ($293k) (2021: $1,733k), and with the need to invest in PlatformplusAMS and PlatformplusWRAP to grow future income streams there was a decline in cash and cash equivalents over the year of $1,032k. This necessary investment has been with the blessing of the Group's bankers Westpac, and more importantly more tangible support by way of the provision of a new $5 million 10-year loan facility under the Australian Government's SME Recovery Loan Scheme.

This new loan funding enabled the Group on 3 May 2022 to fully redeem the $4,082k of convertible notes on issue and lock-in cheaper longer-term funding. $2,045k of noteholders elected to convert their notes into ordinary shares instead of redeeming for cash. This left the Group with $3,817k in undrawn bank facilities at 30 June 2022 in addition to $766k in cash at bank and in term deposits.

The Group had net assets of $11,433k at 30 June 2022 (2021: $13,237k).

Likely Developments and Expected Results of Operations

The Group will continue to expand the business through organic growth, with the significant investment that it has made in technology solutions being the key driver of this growth.

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

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

Directors

The names of each person who has been a director during the year and to the date of this report are:

- Mr Roy McKelvie, Chairman
- Mr Darren Steinhardt, Managing Director
- Mr Craig Holland
- Mr David Hasib
- Mr Jonathan Hubbard

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretaries

The names of each person who acts as a Company secretary are:

- Mr Michael Laffoley
- Mr Rajesh Daji

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the financial year, and the number of meetings attended by each Director eligible to attend were:

	Board of Directors		Audit & Risk Committee		Research & Investment Governance Committee	
	A	B	A	B	A	B
R McKelvie	9	9	+	+	+	+
D Steinhardt	9	9	+	+	+	+
C Holland	9	9	7	7	4	4
D Hasib	9	9	+	+	4	4
J Hubbard	9	9	7	7	+	+

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

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

+ Not a member of the relevant committee.

Significant Changes in State of Affairs

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

Events after the Reporting Period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

The Company did not pay any dividends during the financial year (2021: nil).

Options

There were no options granted or exercised during the year (2021: nil).

Indemnification and Insurance of Directors and Officers

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

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and Executives of the Company against liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification and Insurance of Auditor

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

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

Directors' Particulars

Mr Roy McKelvie
BSc, MBA
Chairman
Non-Executive Director

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

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

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

Mr Darren Steinhardt
FAIM, GAICD, M App. Fin.
Managing Director

Darren is the founder of Infocus. Originally from Brisbane, Darren has an extensive background with over 33 years' experience in the Australian financial services industry, commencing his career in 1989. It was Darren's vision of 'being financially fit' that became the genesis of Infocus. Together with his wife Stephanie, Darren founded the business on Queensland's Sunshine Coast in 1994.

Darren, a Fellow of the Australian Institute of Management (AIM) and a Graduate Member of the Australian Institute of Company Directors, has undertaken studies in finance, law and economics, and holds a Master's Degree in Applied Finance from UWS.

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

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

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

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

Mr David Hasib
Adv Dip FP, JP
Non-Executive Director

David is a founding Director of Patron Financial Advice, which merged with the Infocus Group in 2014. With over 30 years industry experience, David has a strong track record in establishing wealth management solutions for clients and in particular, wealth advisory businesses. David has served on a number of advisory boards and prior to the formation of Patron ran a corporate practice of 15 advisers.

Mr Jonathan Hubbard
B Com, CA, GAICD
Non-Executive Director

Jon is a professional Company director bringing expertise in strategy, business development, industry reform and regulation, finance, risk management, accounting and audit.

Jon was previously a Partner in the Advisory practice of PwC for 12 years. During this period Jon specialised in the energy, resources and infrastructure industries, in respect of which he held a number of leadership roles. His overall career with the firm spanned 24 years across the SME, Audit and Advisory practices, in the Melbourne, London and Brisbane offices.

Jon was appointed to the Infocus Group board on 1 July 2013. Jon is also a director of Tavas Holdings Limited, and is a former director of the Australian Energy Market Operator Limited, CS Energy Limited and Territory Generation.

Jon has a Bachelor of Commerce from the University of Melbourne, is a Chartered Accountant (CAANZ), and a Graduate Member of the Australian Institute of Company Directors.

Company Secretaries

Michael Laffoley is a Chartered Accountant (CAANZ) and holds a BA (Honours) in Business Studies from the University of Hertfordshire. He has over 40 years of experience, predominantly in financial services with ASX listed entities.

He is also the Chief Financial Officer of the Infocus Group. Former roles include General Manager Financial Performance at CSG Limited, senior finance roles with Suncorp, CFO of MFS Diversified Group and Managing Director of The Rock Building Society Limited.

Rajesh Daji is a Chartered Accountant (CAANZ), a member of FINSIA, holds a B. Com from the University of Auckland, a Graduate Diploma of Applied Finance and an MBA (Exec) from UNSW Business School. He has over 18 years' experience in both public practice and commerce in working with publicly listed companies in Australia.

Proceedings of behalf of the company

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

Rounding

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

Auditor's Independence Declaration and non-audit services

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

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

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

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

Roy McKelvie
Chairman

28 October 2022
Maroochydore

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

To the Directors of Infocus Wealth Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Infocus Wealth Management Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

B E Lovell
Partner

Brisbane
28 October 2022

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Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 Restated* $'000
Advice and services revenue*	3(a)	72,939	69,062
Other income	3(b)	311	547
Advice and services fees and commissions paid*		(58,857)	(53,621)
Employee benefits	4(c)	(9,593)	(9,180)
Professional fees		(978)	(1,568)
Client remediation and legal claims costs	14 (a),(b)	(550)	(588)
Technology costs		(476)	(472)
Occupancy costs		(454)	(258)
Re-assessment of the net present value of mortgage trail commissions		(370)	(248)
Bad and doubtful debts		(246)	(178)
Other expenses		(1,745)	(1,498)
Operating (loss)/profit		(19)	1,998
Amortisation, depreciation and impairment	4(a)	(1,744)	(1,874)
Finance costs	4(b)	(786)	(818)
(Loss) before income tax expense		(2,549)	(694)
Income tax (expense)/benefit	5	(1,226)	105
(Loss) for the year		(3,775)	(589)
Total comprehensive (loss) for the year		(3,775)	(589)
(Loss)/profit for the year is attributable to:			
Non-controlling interest		67	70
Owners of Infocus Wealth Management Limited		(3,842)	(659)
		(3,775)	(589)
Total comprehensive (loss)/income for the year is attributable to:			
Non-controlling interest		67	70
Owners of Infocus Wealth Management Limited		(3,842)	(659)
		(3,775)	(589)

*The comparative information has been restated due to reclassification of revenue and expense lines as discussed in Note 2(b) (iii).

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

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 Restated* $'000
Assets			
Current assets			
Cash and cash equivalents*	6	381	538
Term deposits*	2B	385	383
Trade and other receivables	7	8,533	8,683
Total current assets		9,299	9,604
Non-current assets			
Other receivables	7	824	1,143
Investments		27	-
Property, plant and equipment	8	619	406
Intangibles	10	23,351	21,295
Right-of-use assets	9	1,541	2,379
Deferred tax	5	785	1,110
Total non-current assets		27,147	26,333
Total assets		36,446	35,937
Liabilities			
Current liabilities			
Trade and other payables	11	7,928	5,835
Borrowings	12	12,482	8,647
Lease liabilities	13	865	833
Current tax liabilities	5	4	31
Provisions	14	849	2,031
Total current liabilities		22,128	17,377
Non-current liabilities			
Trade and other payables	11	1,000	-
Borrowings	12	-	3,486
Lease liabilities	13	787	1,652
Provisions	14	135	83
Deferred tax liabilities	5	963	102
Total non-current liabilities		2,885	5,323
Total liabilities		25,013	22,700
Net assets		11,433	13,237
Equity			
Share capital	15(a)	16,240	14,195
Reserves	15(b)	(513)	(513)
Accumulated losses		(4,298)	(456)
Equity attributable to the owners of the parent		11,429	13,226
Non-controlling interest		4	11
Total equity		11,433	13,237

*The comparative information has been restated as a result of the prior period error requiring the reclassification of some term deposits which are greater than 90 days and less than or equal to 12 months maturity from Cash and cash equivalents to a separate line item as Term deposits as discussed in note 2B (i).

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

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 30 June 2022

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total controlling interest $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2020	14,189	(513)	203	13,879	16	13,895
Total comprehensive (loss)/income for the year	-	-	(659)	(659)	70	(589)
Transactions with owners in their capacity as owners:						
Issue of shares on vesting of employee performance rights (note 15 (a))	6	-	-	6	-	6
Dividends paid (note 16)	-	-	-	-	(75)	(75)
Balance at 30 June 2021	14,195	(513)	(456)	13,226	11	13,237
Balance at 1 July 2021	14,195	(513)	(456)	13,226	11	13,237
Total comprehensive (loss) / income for the year	-	-	(3,842)	(3,842)	67	(3,775)
Transactions with owners in their capacity as owners:						
Issue of shares on conversion of convertible notes (note 15 (a))	2,045	-	-	2,045	-	2,045
Dividends paid (note 16)	-	-	-	-	(74)	(74)
Balance at 30 June 2022	16,240	(513)	(4,298)	11,429	4	11,433

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

Infocus Wealth Management Limited and its controlled entities
Consolidated Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 Restated* $'000
Cash flows from operating activities			
Receipts from customers*		79,929	76,116
Payments to suppliers and employees*		(79,538)	(73,701)
Interest received		47	116
Interest and other finance costs paid		(682)	(800)
Dividends received		18	41
Income taxes paid		(67)	(39)
Net cash (used in)/provided by operating activities	18	(293)	1,733
Cash flows from investing activities			
Proceeds from sale of client portfolios		621	1,243
Payments for investments		(29)	-
Payments for property, plant and equipment		(432)	(148)
Payments for intangibles		(1,407)	(749)
Net cash (used in)/provided by investing activities		(1,247)	346
Cash flows from financing activities			
Proceeds from borrowings		6,697	5,458
Repayment of borrowings		(5,178)	(5,661)
Repayment of lease liabilities	13	(937)	(1,060)
Dividends paid	16	(74)	(75)
Net cash provided by/(used in) financing activities		508	(1,338)
Net (decrease)/increase in cash and cash equivalents		(1,032)	741
Cash and cash equivalents at the beginning of the year*		(408)	(1,149)
Cash and cash equivalents at the end of the year*	6	(1,440)	(408)

* The comparative information has been restated as a result of the prior period error requiring the reclassification of some term deposits which are greater than 90 days and less than or equal to 12 months maturity from Cash and cash equivalents to a separate line item as Term deposits. In addition, cash flows have been grossed up for GST, impacting receipts from customers and payments to suppliers and employees. Both of these prior period adjustments are discussed in note 2B (i) and 2B (ii).

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

Note 1. Corporate information

The consolidated financial statements of Infocus Wealth Management Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 28 October 2022. Infocus Wealth Management Limited (the Company or the parent) is a public Company incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2A. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2A(z).

Disclosure

Some disclosures in the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, and notes to the financial statements for comparatives have been reclassified to be consistent with current period disclosures. The comparative information has been restated as a result of the prior period error requiring the reclassification of some term deposits which are greater than 90 days and less than or equal to 12 months maturity from Cash and cash equivalents to a separate line item as Term deposits. In addition, cash flows have been grossed up for GST, impacting receipts from customers and payments to suppliers and employees. Both of these adjustments are discussed in note 2B.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Infocus Wealth Management Limited (Company or parent entity) as at 30 June 2022 and the results of all subsidiaries for the year then ended. Infocus Wealth Management Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

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

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

Note 2A. Significant accounting policies (continued)

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

(c) Foreign currency translation

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

(d) Revenue and expense recognition

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

Financial advisory services include the following:

(i) Advice and services revenue

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

(ii) Mortgage broking services

The Group enters into contracts with customers to act as an agent to offer loans to customers. Upfront commissions are recognised at a point in time on settlement of the loan. Trail commissions are recognised at the estimated 'expected value' of the variable consideration being the present value of the expected future trailing commissions to be received from the lending institution. Subsequent to initial recognition, the carrying amount of the contract asset is adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows using the Group borrowing rate. This adjustment is recognised in profit or loss.

(iii) Other fee and commission income

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

Infrastructure services

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

Investment management services

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

Dividends

Dividends or distributions are recognised as income when the Group becomes entitled to the dividend or distribution.

Rent

Lease rental income is recognised on a straight-line basis over the lease term.

Expenses

Expenses are recognised in the statement of profit and loss and other comprehensive income as and when the provision of services is received.

(e) Income tax

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

Note 2A. Significant accounting policies (continued)

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

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

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

Tax consolidation

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

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

(f) Current and non-current classification

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

An asset is classified as current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.
A liability is classified as current when: it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(h) Trade and other receivables and contract assets

Trade and other receivables are recognised at amortised cost, less any loss allowance on a specific basis. Trade receivables are generally due for settlement within 30-120 days of recognition.

Contract assets are recognised when the Group has transferred services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract assets relate to future trail commissions due from a combination of Australian banks and non-bank lenders. Any expected credit loss would not be material as these organisations have reduced credit risk and consequently none has been recognised.

Note 2A. Significant accounting policies (continued)

(i) Investments and other financial assets

(i) Classifications

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three methods to classify debt instruments: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Equity instruments

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss with any debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, refer to note 2A(h) above.

Note 2A. Significant accounting policies (continued)

(j) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Depreciable assets	*Depreciation rate*
Leasehold improvements	2.5% to 10.0%
Plant and equipment	5.0% to 67.0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

(k) Right of use assets and lease liabilities

The Group leases office space and equipment for which contracts are typically entered into for fixed periods and may include extension options. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Group.

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

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

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

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

The right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term (including the extension option where applicable) on a straight-line basis. In determining the lease term, management has considered all facts and circumstances that create an economic incentive to exercise the extension option. If the Group is reasonably certain that it will exercise the option to renew the lease then the extended period has been taken into consideration for calculating the depreciation amount. The right-of-use assets held by the Group may be subsequently adjusted for any re-measurement of the lease liability to reflect any reassessment or lease modifications identified, or to reflect revised in-substance fixed lease payments.

Note 2A. Significant accounting policies (continued)

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

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

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

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Client portfolios

Client portfolios acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships for 13 years from the date of purchase and their carrying value is amortised over that period. This assessment is based on the average age of clients, life expectancy and average period of client retention.

IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised using the straight-line method from the point at which the asset is ready for use over its useful life of 3 to 10 years.

(m) Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal, and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

Note 2A. Significant accounting policies (continued)

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Provisions and contingent liabilities

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Refer to note 2A(z)(iv) for further information in relation to client remediation and client legal claims provisions.

No liability is recognised if an outflow of economic resources as a result of the present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

(q) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for annual leave and long service leave are recognised as a provision in the statement of financial position. All other short-term employee benefit obligations are presented as payables.

The leave obligations cover the Group’s liability for annual leave and long service leave.

The current portion includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 2A. Significant accounting policies (continued)

Other long-term employee benefits

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

The non-current portion includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

Equity-settled transactions are awards of shares, performance rights or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions which are taken into consideration in determining fair value.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are satisfied and therefore the employee becomes fully entitled to the award (vesting date).

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

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

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

(r) Fair value measurement

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

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

Note 2A. Significant accounting policies (continued)

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

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

(s) Share capital

Ordinary shares are classified as equity.

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

(t) Dividends

Dividends payable are recognised when declared during the financial year.

(u) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, and after the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within equity attributable to owners of Infocus Wealth Management Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Note 2A. Significant accounting policies (continued)

(v) Goods and Services Tax (GST)

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

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

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

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

(w) Rounding of amounts

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

(x) Parent entity financial information

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

(y) New or amended accounting standards and interpretations

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

Several other new or amended standards and interpretations that were mandatorily effective on 1 July 2021 did not result in a material impact to the consolidated financial statements of the Group.

(z) Critical accounting judgements, estimates and assumptions

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(i) Assessment of impairment of goodwill and other indefinite life intangible assets

Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill and other indefinite life intangible assets. Details of the basis of performance of the assessment and the assumptions made are set out in note 10.

(ii) Acquired intangible assets

Under the accounting standards, the assets and liabilities of businesses acquired through a business combination are to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in notes 2A(l) and 2A(u).

Note 2A. Significant accounting policies (continued)

(iii) Provision for impairment of receivables

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

(iv) Client remediation and client legal claims provisions

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

Client legal claims provisions
There were two AFCA (Australian Financial Complaints Authority) reopened claims provided for at 30 June 2022, which are in the process of being settled.

(i) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets as per notes 2A(j) and 2A(l). The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(ii) Capitalisation of internally developed software

The Group's determination of whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(iii) Mortgage broking services - trail commissions

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

(iv) Lease term extension options and leases in holdover

In determining lease term, extension options are included in some property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Where a lease enters holdover, management estimate the expected lease term and rental based on the available information at the balance date. Any adjustments required due to changes in estimates or entering into a new lease agreement are recognised in profit or loss in the period the adjustments are made.

Note 2A. Significant accounting policies (continued)

(aa) Going concern

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

The ability of the Company to continue as a going concern including meeting operating cash requirements and paying debts as and when they fall due is dependent on:

- achieving profitability and generating sufficient operating cash inflows;
- continued financial support from its financiers; and
- securing additional capital investment where required.

The Group has a loss after tax for the year ended 30 June 2022 of $3,775k (2021: $589k). The Group has an excess of current liabilities over current assets at reporting date of $12,829k (30 June 2021: $7,773k).

It should be noted that the Group had undrawn borrowing facilities at that date of $3,817k (2021: $3,518k), and bank borrowings of $11,154k (2021: $7,134k). All bank borrowings have been included as current liabilities at 30 June 2022. The same applied at 30 June 2021.

The financial performance of the Group for the year ended 30 June 2022 was not in compliance with all of the covenants required under the term loan facilities with Westpac and as such the bank has the right to call in the debt if it so chooses. However, the bank has indicated its acceptance of this position and continues to work with the Company by providing the necessary ongoing funding to enable it to implement its growth strategies and generate strong operating cash surpluses in future periods.

Included in bank borrowings at 30 June 2022 are two term loans with current maturity dates in early 2023. The first facility for $2,892k is scheduled for repayment on 20 January 2023 and the other for $3,371k is scheduled for repayment on 20 March 2023. The Company has been liaising with Westpac regarding the extension of these loan facilities prior to their maturity dates, and expects to have this finalised shortly.

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

- Revised forecasts show net positive operating cash flows for the 2022/23 and 2023/24 financial years;
- Securing of a new $5million loan facility through Westpac under the Australian Government SME Recovery Loan Scheme (“SMERLS”); and
- The early redemption of $4,082k of convertible notes, including the conversion of $2,045k of this debt into ordinary shares.

The directors are of the opinion the Group will continue normal business activities and be able to realise its assets and settle its liabilities in the ordinary course of business. The Group has taken appropriate action and steps to manage its cash flows and bank covenants going forwards and continues to receive the support of Westpac. However, in view of the fact that the bank is legally entitled to call in the debts owing to it if the Group continues to trade outside of the requirements of the covenants, and that the Group’s bank borrowings at 30 June 2022 (including drawn overdraft balance) totalled $11,154k (2021: $7,134k), the directors feel obliged to point out to users of these financial statements that there is a material uncertainty surrounding the Group’s ability to continue as a going concern.

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

Note 2B. Prior period error

(i) Reclassification of Term Deposits

Amounts have been reclassified as term deposits which were previously included within cash and cash equivalents. As the terms are for greater than 90 days and less than or equal to twelve months they have now been reported as a separate line item on the consolidated statement of financial position and deducted from the Cash and cash equivalents line item.

The following table summarises the impact on the comparative financial year and the below amounts have been restated:

	30 June 2021 $'000
Consolidated statement of financial position	
Decrease in cash and cash equivalents	(383)
Increase in term deposits	383

	30 June 2021 $'000
Consolidated statement of cash flows	
Increase in payments to suppliers and employees	4
Decrease in cash and cash equivalents at the beginning of the year	(379)
Decrease in cash and cash equivalents at the end of the year	(383)

(ii) Reclassification of advice and services revenue into advice and services fees and commissions paid and grossing up receipts from customers and payments to suppliers for GST purposes

Amounts have been reclassified from advice and services revenue into advice and services fees and commissions paid by $3,303k relating to an internal re-classification which was mis-coded in prior year when preparing the financial statements.

Cash flows have now been grossed up for GST by $3,617k, impacting receipts from customers and by $3,621k impacting payments to suppliers and employees in the statement of cash flows.

The following table summarises the impact on the comparative financial year and the below amounts have been restated:

	30 June 2021 $'000
Consolidated statement of profit or loss	
Decrease in advice and services revenue	(3,303)
Decrease in advice and services fees and commissions paid	(3,303)

	30 June 2021 $'000
Consolidated statement of cash flows	
Increase in receipts from customers	3,617
Increase in payments to suppliers and employees	3,621

Note 3(a). Advice and services revenue

	Consolidated 2022 $'000	2021 Restated* $'000
Financial advisory services	69,681	66,154
Infrastructure services	1,659	1,444
Investment management services	1,599	1,464
Total advice and services revenue	72,939	69,062

*The comparative information has been restated, refer Note 2B and statement of profit and loss and other comprehensive income for further information.

Note 3(b). Other income

	Consolidated 2022 $'000	2021 $'000
Rental and dividend income	151	189
Interest income	47	142
Gain on sale of client portfolios	113	216
Total other income	311	547

Note 4. Expenses

	Consolidated 2022 $'000	2021 $'000
(a) Amortisation, depreciation and impairment		
Depreciation of property, plant and equipment (note 8)	219	172
Depreciation of right-of-use assets (note 9)	838	948
Amortisation of intangible assets (note 10)	687	607
Impairment of goodwill (note 10)	-	147
Total amortisation, depreciation and impairment	1,744	1,874
(b) Finance costs		
Interest on bank overdrafts and loans	682	671
Interest on lease liabilities (note 13)	104	147
Total finance costs	786	818

(c) Employee benefits

Post-employment benefits expenses were $832k (2021: $741k).

Note 5. Income tax

	Consolidated 2022 $'000	2021 $'000
Income tax expense/(benefit)		
Current income tax	44	80
Deferred tax - origination and reversal of temporary differences	1,182	(188)
Adjustment in respect of current tax of previous year	-	3
Aggregated income tax expense/(benefit)	1,226	(105)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	325	(120)
Increase/(decrease) in deferred tax liabilities	861	(68)
Deferred tax – origination and reversal of temporary differences	1,186	(188)
Income tax expense/(benefit) reconciled to accounting profit		
(Loss) before income tax expense	(2,549)	(694)
Income tax expense/(benefit) calculated at 30% (2021: 30%)	(765)	(208)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	106	165
Non-assessable income	(3)	(134)
Current year losses unrecognised [(a)]	1,898	-
Difference of tax rates from controlled entity	(10)	(12)
Initial adjustments to enter into tax consolidation	-	81
Adjustment in respect of current tax of previous year	-	3
Income tax expense/(benefit)	1,226	(105)

Deferred tax assets	Consolidated 2022 $'000	2021 $'000
Deferred tax assets relate to the following:		
Provisions	103	577
Employee benefits	234	217
Accrued expenses and other items	354	175
Property, plant and equipment	50	89
Carried forward losses	44	48
	785	1,110
Movements:		
Opening balance	1,110	990
(Charged)/credited to profit or loss	(321)	120
Adjustment to losses utilised against tax liabilities of prior year	(4)	-
Closing balance	785	1,110

(a) Unrecognised deferred tax assets

Unused tax losses amount to $6,326k, with potential tax benefit of $1,898k, which will only be realised if the Group derives future taxable income of a nature and amount sufficient to enable the benefit to be utilised. These tax losses mainly arose from claiming full tax deduction of costs relating to the development of Platformplus WRAP under the ‘temporary full expensing’ rules introduced in the Federal budget of 2020/21.

Note 5. Income tax (continued)

	Consolidated 2022 $'000	2021 $'000
Deferred tax liabilities		
Deferred tax liabilities relate to the following:		
Intangible assets [(a)]	871	63
Accrued income and other items	92	39
	963	102
Movements:		
Opening balance	102	170
Charged/(credited) to profit or loss	861	(68)
Closing balance	963	102

(a) Increase from claiming full tax deduction relating to WRAP platform development from 'temporary full expensing' as per Federal budget of 2020-2021.

	2022	2021
Current tax payable	4	31

Note 6. Cash and cash equivalents

	Consolidated 2022 $'000	2021 Restated* $'000
Cash at bank and on hand	381	538

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

	2022	2021
Balances as per above	381	538
Bank overdraft (note 12)	(1,821)	(946)
Balance as per statement of cash flows	(1,440)	(408)

*The comparative information has been restated, refer Note 2B and statement of financial position for further information.

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

Note 7. Trade and other receivables

	Consolidated 2022 $'000	2021 $'000
Current		
Trade and other receivables[1]	6,554	7,094
Less: Provision for impairment of receivables	(141)	(534)
	6,413	6,560
Contract assets – mortgage trail commissions	348	433
Prepayments	1,772	1,690
Total current trade and other receivables	8,533	8,683

1 These include Accrued revenue of $5,019k (2021: $5,116k), and Loans receivables of $317k (2021: $721k).

	Consolidated 2022 $'000	2021 $'000
Non-current		
Contract assets – mortgage trail commissions	606	891
Other receivables	218	252
	824	1,143
Total trade and other receivables	9,357	9,826

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

Impairment of receivables
The Group has recognised a loss of $246k (2021: $178k) in profit or loss in respect of receivables written-off and/or provided for the year ended 30 June 2022.

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

	Consolidated 2022 $'000	2021 $'000
0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	141	534
	141	534

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

	Consolidated 2022 $'000	2021 $'000
Opening balance	534	425
Addition to provision	63	178
Debt write-off/recovered during the year	(456)	(69)
Closing balance	141	534

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to $318k as at 30 June 2022 (2021: $404k).

The Directors do not consider any further impairment of the above balances is required. The amounts relate to recoveries owing from former advisers in relation to claims settled in respect of those advisers, and it is considered that these amounts will be recovered in full.

Note 7. Trade and other receivables (continued)

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

	Consolidated 2022 $'000	2021 $'000
0 to 3 months overdue	134	177
3 to 6 months overdue	69	68
Over 6 months overdue	115	159
	318	404

Note 8. Property, plant and equipment

	Consolidated 2022 $'000	2021 $'000
Leasehold improvements	807	796
Less: Accumulated depreciation	(768)	(700)
	39	96
Plant and equipment	2,462	2,041
Less: Accumulated depreciation	(1,882)	(1,731)
	580	310
	619	406

Consolidated	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
At 1 July 2020	166	264	430
Additions	-	148	148
Depreciation expense	(70)	(102)	(172)
At 30 June 2021	96	310	406
At 1 July 2021	96	310	406
Additions	11	421	432
Depreciation expense	(68)	(151)	(219)
At 30 June 2022	39	580	619

Note 9. Right-of-use assets

	Consolidated 2022 $'000	2021 $'000
Premises	5,452	5,452
Less: Accumulated depreciation	(3,946)	(3,119)
	1,506	2,333
Equipment	204	204
Less: Accumulated depreciation	(169)	(158)
	35	46
	1,541	2,379

Note 9. Right-of-use assets (continued) **Consolidated**	**Premises $'000**	**Equipment $'000**	**Total $'000**
At 1 July 2020	3,255	24	3,279
Additions	-	48	48
Depreciation expense	(922)	(26)	(948)
At 30 June 2021	2,333	46	2,379
At 1 July 2021	2,333	46	2,379
Depreciation expense	(827)	(11)	(838)
At 30 June 2022	1,506	35	1,541

Note 10. Intangibles

	Consolidated 2022 $'000	2021 $'000
Goodwill	17,233	17,233
Less: Accumulated impairment	(277)	(277)
	16,956	16,956
Client portfolios	3,726	3,558
Less: Accumulated amortisation	(1,526)	(1,242)
	2,200	2,316
IT development & software	6,976	4,401
Less: Accumulated amortisation	(2,781)	(2,378)
	4,195	2,023
	23,351	21,295

Note 10. Intangibles (continued)

Consolidated	Goodwill $'000	Client portfolios $'000	IT development & software $'000	Total $'000
At 1 July 2020	17,103	2,596	1,601	21,300
Additions	-	-	749	749
Impairment expense	(147)	-	-	(147)
Amortisation expense	-	(280)	(327)	(607)
At 30 June 2021	16,956	2,316	2,023	21,295
At 1 July 2021	16,956	2,316	2,023	21,295
Additions	-	332	2,575	2,907
Disposals	-	(164)	-	(164)
Amortisation expense	-	(284)	(403)	(687)
At 30 June 2022	16,956	2,200	4,195	23,351

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

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

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

(i) Budgeted operating cash flows which represent the Group's estimate of future cash flows based on forecasts approved by the Board of Directors;
(ii) Post-tax discount rate 14.8% (2021:12.6%); and
(iii) Long-term growth rate (terminal rate) 2.5% (2021: 2.5%).

The goodwill was allocated to the following CGUs: B2B $5,276k, B2C $10,958k and Capalaba $722k (same in the prior year).

Changes in assumptions made in the assessment of impairment of goodwill relate to estimating sustainable revenues. The assumptions are compared to market each year and adjusted appropriately.

The estimates and judgements included in the fair value calculations are based on historical experience and other factors, including management's and the directors' expectations of future events that are believed to be reasonable under the current circumstances.

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

Note 11. Trade and other payables

	Consolidated 2022 $'000	2021 $'000
Current		
Trade payables[1]	6,791	5,124
Other payables	1,137	711
	7,928	5,835
Non-current		
Other payables	1,000	-

1 These include Accrued expenses of $4,604k (2021: $3,651k) and Income in advance of $1,436k (2021$1,023k).

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

Note 12. Borrowings

	Consolidated 2022 $'000	2021 $'000
Current		
Bank overdraft	1,821	946
Secured bank term loans[(a)]	6,263	6,188
Secured bank- SMERLs [(b)]	3,070	-
Unsecured corporate loans	1,328	1,513
Total current borrowings	12,482	8,647
Non-current		
Convertible notes [(c)]	-	3,480
Unsecured corporate loans	-	6
Total non-current borrowings	-	3,486
Total borrowings	12,482	12,133

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

(b) The Group entered into a new ten-year, $5m loan facility offered by the Bank under the Australian Government's SME Recovery Loan Scheme (SMERLS). The first year is interest only, with principal and interest repayments on an amortising basis over the remaining 9 years. The Group has classified this loan facility as a current liability as it forms an integral part of the total Westpac facilities for the purpose of calculating covenant compliance, and as such is technically at call whilst covenants are not being fully met. $1,930k of the SMERLS loan remained undrawn at 30 June 2022.

(c) The convertible notes held at 30 June 2021 were early redeemed for cash and/or converted into shares on 3 May 2022, refer note 15(a).

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

Note 12. Borrowings (continued)

Assets pledged as security

The bank facilities are secured by a fixed and floating charge over the Group's assets and a guarantee from a major shareholder and director.

	Consolidated	
	2022 $'000	**2021 $'000**
Financing arrangements		
Total facilities available from bank	14,971	10,652
Facilities used at balance date	(11,154)	(7,134)
Facilities available from bank at balance date	3,817	3,518

Note 13. Lease liabilities

Current		
Lease liabilities	865	833
Non-current		
Lease liabilities	787	1,652
Total lease liabilities	1,652	2,485
Movement in lease liabilities:		
Opening balance	2,485	3,350
Additions during the year	-	48
Interest expense	104	147
Lease payments	(937)	(1,060)
Closing balance	1,652	2,485
Amounts recognised in the Statement of profit and loss and other comprehensive Income		
Depreciation relating to right-of-use assets (note 4)	838	948
Interest expense (finance cost, note 4)	104	147
Expenses relating to short-term leases	454	258
	1,396	1,353
Total cash outflows relating to operating leases		
Lease repayments disclosed under financing activities	937	1,060
Interest payments disclosed under operating activities	104	147
Total	1,041	1,207

Note 14. Provisions

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Current		
Client remediation	-	932
Client legal claims	204	458
Employee benefits -leave obligations	645	641
Total	849	2,031
Non-current		
Employee benefits - leave obligations	135	83
Total provisions	984	2,114
(a) Movement in provision for client remediation:		
Opening balance	932	635
Provisioning expense	128	400
Client remediation paid	(1,060)	(103)
Closing balance	-	932
(b) Movement in provision for client legal claims:		
Opening balance	458	393
Provisioning expense	422	188
Claims settlements paid	(676)	(123)
Closing balance	204	458
(c) Movement in provision for employee benefits:		
Opening balance	724	818
Provisioning expense	657	597
Employee benefits paid	(601)	(691)
Closing balance	780	724

Note 15. Equity

(a) Share capital

	2022 Shares (thousands)	2021 Shares (thousands)	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance	43,227	43,213	14,195	14,189
Shares issued upon conversion of notes	5,358	-	2,045	-
Shares issued on vesting of employee performance rights	-	14	-	6
Closing balance	48,585	43,227	16,240	14,195

During the year ended 30 June 2022, 5,357,900 shares were issued on early redemption of the convertible notes. During year ended 30 June 2021,14,000 shares were issued to satisfy vesting of performance rights previously granted to selected staff members who completed a service period of three years with the Group.

Ordinary shares

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

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

(b) Reserves

	Consolidated 2022 $'000	Consolidated 2021 $'000
There was no movement in reserves during the year.	513	513

Transactions with non-controlling interests reserve

The reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control, as described in note 2A(b).

(c) Capital risk management

When managing capital, the Board's objective is to ensure the Group can continue as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management monitors the capital structure to ensure that the Group is positioned to take advantage of favourable costs of capital or higher expected return on assets. The Group currently has facilities of $14,971k with the bank which was drawn down by $11,154k at 30 June 2022.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise additional debts or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements.

Note 16. Dividends

	2022 $'000	2021 $'000
Final dividend paid by controlled entities		
Final dividend paid for the year ended 30 June 2022: $743.50 (2021 final dividend paid $750.00) per ordinary share to non-controlling interest by Capalaba Financial Planning Pty Ltd	74	75
Total dividends paid (1)	74	75

(1) All dividends paid are franked at a tax rate of 25% (2021: 26%)

Dividend franking account

	Consolidated 2022 $'000	2021 $'000
Franking credits available for subsequent financial years	1,468	1,406

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

Note 17. Financial instruments - risk management and fair values

(a) Financial risk management

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

Risk management framework

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

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

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

(i) Market risk

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

The Group does not use derivatives to manage market risks.

Interest rate risk

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

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

Interest rate sensitivity

The analysis demonstrates the impact of a movement in interest rate on borrowings of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for variable rate borrowings (i.e., bank overdraft and bank loans) in the Group:

	Consolidated	
	2022	2021
	$'000	$'000
Bank overdraft and bank loans	11,154	7,134

If interest rates had changed by, +/- 1% from the year-end rates with remaining contractual maturities and all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $78k lower/$78k higher (2021: $49k lower/$49k higher).

Currency risk

The Group has no operations outside of Australia and is not exposed to any material currency risk.

Price risk

The Group has indirect exposure to commodity and equity securities price risk because a portion of the Group's net advice and investment products revenue is governed by the amount of funds under management or under advice, which is impacted by the market price of equities and other investment assets.

This risk is effectively a feature of the financial advice industry and cannot easily be managed. However, the increasing proportion of fee for service revenue and the ability of the Group to adjust resource inputs in relation to market movements decreases the level of risk.

(ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables and contract assets. The Group's maximum exposure is equal to the carrying amount of these assets (refer to note 6 and 7).

The Group has professional indemnity insurance to mitigate against any claims made as a result of inappropriate advice given by advisers operating under the Group's Australian Financial Services Licences. The contractual agreements with the Group's self-employed advisers enable the Group to recover any shortfall not covered by insurance from the relevant adviser.

The Group's cash balances are primarily held with Westpac Banking Corporation.

The Group has also provided vendor finance to two of its authorised representatives to purchase a book of clients from the Group. The loans are contingent on the advisers remaining authorised with Infocus Securities Australia Pty Ltd and are secured by charges over the client books and the brokerage revenues that Infocus collects from the servicing of those clients.

In respect of trade and other receivables, the Group has no significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, all receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is monitored and managed.

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

(iii) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group maintains sufficient liquid reserves to meet all foreseeable working capital, investment and regulatory licensing requirements.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The balances in the table relating to borrowings will not agree to amounts presented in the statement of financial position as amounts incorporate net cashflows on an undiscounted basis and include both principal and associated future interest payments.

It should be noted the Group does not manage its liquidity risk in this simplified manner.

	Contractual cash flows				
At 30 June 2022	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Total $'000**	**Carrying amount $'000**
Trade and other payables	7,928	1,000	-	8,928	8,928
Borrowings	13,198	-	-	13,198	12,482
Lease liabilities	908	559	268	1,735	1,652
	22,034	1,559	268	23,831	23,062
At 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	5,835	-	-	5,835	5,835
Borrowings	9,229	319	3,793	13,341	12,133
Lease liabilities	875	908	826	2,609	2,485
	15,939	1,227	4,619	21,785	20,453

(b) Fair value of financial assets and financial liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and these are categorised under the fair value hierarchy. The carrying amount and fair value of financial assets and financial liabilities are held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

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

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short term in nature or are receivable on demand.

Trade and other receivables

Trade and other receivables are recognised at amortised cost net of any impairment losses.

Trade and other payables

Trade and other payables are an approximation of fair values as they are short term in nature.

Borrowings

The Group has borrowings which are not measured at fair value in the statement of financial position. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group. The Group is of the view that underlying assumptions and factors have not changed in this reporting period and the carrying amounts of borrowings is an approximation of fair values at reporting date.

Fair value hierarchy

Borrowings

These are classified as Level 2 as the inputs into the fair value models (being current market rates) used to determine fair value are observable.

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

	Consolidated	
	2022 $'000	2021 $'000
Net (loss) after income tax	(3,775)	(589)
Adjustments for:		
Impairment of goodwill	-	147
Gain on sale of client portfolios	(113)	(216)
Loss related to the net present value of mortgage trail commissions	370	248
Depreciation and amortisation expenses	1,744	1,727
Bad and doubtful debts expense	246	178
Finance costs included in cashflows from financing activities	104	-
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(491)	(287)
Increase in trade and other payables	1,593	410
(Decrease)/increase in provisions	(1,130)	268
Decrease/(increase) in deferred tax assets	325	(119)
Increase/(decrease) in deferred tax liabilities	861	(69)
(Decrease)/increase in tax liabilities	(26)	35
Net cash (used in)/provided by operating activities	(293)	1,733
Movements in borrowings:		
Borrowings and lease liabilities opening balance (note 12 and 13)	14,618	16,449
Proceeds from borrowings	6,697	5,458
Repayment of borrowings	(5,178)	(5,661)
Acquisition of leases (note 9)	-	48
Repayment of lease liabilities (note 13)	(937)	(1,060)
Interest and other finance costs paid	104	800
Conversion of convertible notes into share issue	(2,045)	-
Cash flows from bank overdraft	875	(1,406)
Borrowings and lease liabilities closing balance (note 12 and 13)	14,134	14,618

Note 19. Contingent liabilities and contingent assets

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

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

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

The Group has no contingent assets at 30 June 2022 (2021: nil).

Note 20. Capital Commitments

There were no material capital commitments at 30 June 2022.

Note 21. Related party disclosures

Key management personnel compensation

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

	Consolidated	
	2022	**2021**
	$	**$**
Short-term employee benefits	2,169,916	1,891,426
Post-employment benefits	181,195	152,600
	2,351,111	2,044,026

The remuneration of directors and key executives is determined by the Board in relation to the performance of individuals and market trends.

Parent entity

The parent entity of the Group is Infocus Wealth Management Limited.

Subsidiaries

Interests in Group entities are set out in note 22.

Transactions with related parties

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

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

	2022 **$**	**2021** **$**
Employment costs – D Steinhardt	448,901	403,776
Employment costs – S Steinhardt	68,760	65,165
Payment for services – related entity for financial guarantees	93,329	61,878
Payment for services – related entity for rental premises	514,118	499,039
Total	1,125,108	1,029,858

	2022 **$**	**2021** **$**
Key management personnel held the following investments in debt securities of the Company at balance date:		
Convertible notes(1)	-	880,000

(1) The notes held by key management personnel were converted into ordinary shares on 3 May 2022.

Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates. J. Hubbard and D. Steinhardt are clients of a controlled entity within the Group, this relationship is on normal commercial terms and conditions. The Group has earned income from J. Hubbard of $9,274 for year ended 30 June 2022 (30 June 2021 $8,550). The Group has earned income from D. Steinhardt of $2,460 for year ended 30 June 2022 (30 June 2021 $1,998).

Note 22. Group entities

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

Entity name[1]	Percentage of shares held 2022	2021
Alpha Fund Managers Pty Ltd	100%	100%
Alpha Investment Management Pty Ltd	100%	100%
Announcer Group Pty Limited	100%	100%
Announcer Financial Planning Pty Ltd	100%	100%
Announcer Financial Planning Queensland Pty Ltd	100%	100%
Announcer Tax Pty Ltd	100%	100%
Announcer Victoria Pty Ltd	100%	100%
Capalaba Financial Planning Pty Ltd	50%	50%
Commission Refunders Pty Ltd	100%	100%
Earnie Pty Ltd	100%	100%
Infocus Financial Planning Pty Ltd	100%	100%
Infocus Lending Advisory Pty Ltd	100%	100%
Infocus Property Advisory Pty Ltd	100%	100%
Infocus Securities Australia Pty Ltd	100%	100%
Infocus Tax & Business Advisory Pty Ltd	100%	100%
Mortgage Prevue Oxygen Pty Ltd	100%	100%
PATRON Financial Trust	100%	100%
Platformplus Pty Ltd	100%	100%
Portfoliofocus Pty Ltd	100%	100%
Portfolio Administration & Reporting Pty Ltd	100%	100%
Sunshine Coast Financial Planning Pty Ltd	100%	100%

1 All entities are incorporated in Australia.

Subsidiaries with material non-controlling interests

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

Note 23. Auditor's remuneration

	Consolidated 2022 $	2021 $
Audit and review services		
Audit services – KPMG (current auditor)		
- Audit and review of financial statements	87,500	-
Audit services – BDO Audit Pty Ltd (previous auditor)		
- Audit and review of financial statements	-	82,500
Other services		
Other assurance and taxation services - BDO Audit Pty Ltd (previous auditor)	-	52,900
Total auditor's remuneration	87,500	135,400

Note 24. Parent entity information

The parent entity financial information is presented as follows:

Statement of financial position

	2022 $'000	2021 $'000
Total current assets	2,401	2,393
Total assets	27,417	28,539
Total current liabilities	16,051	11,379
Total liabilities	18,081	16,600
Equity		
Share capital	16,240	14,195
Accumulated losses	(6,904)	(2,256)
Total equity	9,336	11,939

Statement of profit or loss and other comprehensive income

	2022 $'000	2021 $'000
Loss after income tax	(4,678)	(328)
Total comprehensive income	(4,678)	(328)

Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees, in the current or previous financial year, in relation to any debts of its controlled entities.

Contingent liabilities and capital commitments for property, plant and equipment

The parent entity had no contingent liabilities or capital commitments for property, plant and equipment as at 30 June 2022 (2021: $Nil).

Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years

Infocus Wealth Management Limited and its controlled entities
Directors' declaration
30 June 2022

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

(a) the consolidated financial statements and notes of Infocus Wealth Management Limited are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (ii) giving a true and fair view of its financial position as at 30 June 2022 and of its performance for the financial year ended on that date.

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

(c) Note 2A(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:

Roy McKelvie
Chairman

28 October 2022
Maroochydore

Independent Auditor's Report

To the shareholders of Infocus Wealth Management Limited

Opinion

We have audited the ***Financial Report*** of Infocus Wealth Management Limited and its controlled entities (the Group).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies ; and
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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

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Material Uncertainty Related to Going Concern

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

Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Bronwyn Lovell

Partner

Brisbane

31 October 2022